

12/19/77 [1]

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THE PRESIDENT'S SCHEDULE

Monday - December 19, 1977

7:45 Dr. Zbigniew Brzezinski - The Oval Office.

8:30 Economic Policy Staff Meeting. (Mr. Stuart
(2-1/2 Eizenstat and Mr. Jack Watson) - The Cabinet Room.
hrs.)

11:45 Senator Edmund S. Muskie. (Mr. Frank Moore).
(15 min.) The Oval Office.

12:05 Lunch with Congressional Group/Economic Policy.
(Mr. Frank Moore) - The State Dining Room.

2:30 Meeting with the Executive Committee of the
(20 min.) National Governors' Conference. (Mr. Jack
Watson) - The Roosevelt Room.

3:00 Budget Appeals Meeting. (Mr. James McIntyre).
(2 hrs.) The Cabinet Room.

6:00 Reception for White House Staff Members.
The State Floor.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

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for Preservation Purposes

18 December 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *Rich*

SUBJECT:

Status of Presidential Requests

EIZENSTAT:

1. (2/16) Opportunity for regulatory reform -- In Progress, (memo on possible 1978 regulatory initiatives expected 1/7, previously expected 12/19).
2. (8/5) The President would like a study done to determine if the curriculum at the service academies can/should be more narrowly focused on their future careers -- In Progress (awaiting Stu's signature).
3. (12/5) You, Schultze, Fallows boil down the proposed speech to the Business Council to no more than 10 minutes -- Done. *done*
4. (12/12) Give the President a brief comment today regarding Secretary Bergland's memo on target prices for 1977 crop sorghum and barley -- Done. *done*

JORDAN:

1. (9/12) (Butler) What has been/can be done regarding a job for Don Cox of Kentucky? -- Done, (he was offered a job as Assistant General Counsel for Consumer Protection; decision, timing and arrangements to be worked out). *done*
2. (12/9) Minimize Paul Porter's presence at the White House -- Message Conveyed.
3. (12/14) Send a copy of your memo with Moore concerning activities on the Panama Canal Treaties to Hollings and other key Senators after the changes that the President requested have been made -- Done. *done*

BRZEZINSKI:

1. (7/28) Assess briefly the number of federal employees abroad, the current number seems excessive. (7/30) OK, the President's concern is the large number of non-State personnel in our embassies -- Done (in 12/5 Budget Review Session on International Affairs). 7
2. (12/9) Assess with the Vice President and Frank Moore the best strategy for congressional action re: the Turkish and Greek DCA's -- In Progress, (expected 12/21).
3. (12/12) You and Secretary Vance work out a draft statement regarding South Korea, acknowledging imperfections, but emphasizing commitment to ROK security and strategic need for US. Don't let Tongsun Park case disrupt relations. The President will decide when to make the statement -- In Progress, (expected 12/21).

MOORE:

1. (12/5) Comment on Esther Peterson's memo concerning the future of legislation to create an Office of Consumer Representation -- Done. done
2. (12/12) You see Sen. Goldwater re: help on the B-1 -- No longer necessary, (B-1 will not be considered until next year). done
3. (12/13) (Confidential) Talk to Bergland and then to committee chairmen or to the President about the target price for 1977 crop for sorghum and barley. Minimize 1977 payments without violating Bob's commitment. Keep this confidential and report back to the President -- In Progress, (expected 12/19).

GAMMILL:

1. (12/13) Why so many? (appointments to the Neighborhood Commission) -- Done. done

SECRETARY HARRIS:

1. (12/12) Send the President one of the Energy Information Packets to Homeowners -- Done. done

SECRETARY SCHLESINGER:

1. (8/22) (and Stu) Begin preparing for action regarding options to reduce oil imports -- In Progress (Schlesinger has completed; awaiting Stu's comment).
2. (12/5) Please give the President a written assessment of your top 45 people regarding demographic make-up -- In Progress (expected 12/19).

THE WHITE HOUSE
WASHINGTON

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| | FOR STAFFING |
| | FOR INFORMATION |
| / | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

| ACTION | FYI | |
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| | | MONDALE |
| | | COSTANZA |
| | | EIZENSTAT |
| | | JORDAN |
| | | LIPSHUTZ |
| | | MOORE |
| | | POWELL |
| | | WATSON |
| | | McINTYRE |
| | | SCHULTZE |

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| | ENROLLED BILL |
| | AGENCY REPORT |
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| | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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| | ARAGON |
| | BOURNE |
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| | H. CARTER |
| / | CLOUGH |
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| | FIRST LADY |
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| | SCHLESINGER |
| | SCHNEIDERS |
| | STRAUSS |
| | VOORDE |
| | WARREN |

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

19 December 1977

TO: THE PRESIDENT
FROM: RICK HUTCHESON
SUBJECT: Memos Not Submitted

1. MIDGE COSTANZA NOTE. She will be meeting with Indian representatives in mid-January, giving them an opportunity for input into a possible Presidential Message on Indians (being worked on by Stu and Interior).
2. SECRETARY SCHLESINGER MEMO on Nuclear Waste Management.

DOE believes that "the formulation of a nuclear waste management policy is a matter of the highest importance... As an initial step, we are establishing a DOE Task Force which will develop the legislative, budgetary, environmental and contractual aspects of these possible policy initiatives during the next 60 days. The DOE will then initiate an intergovernmental and public discussion process that will provide a full opportunity to structure the proposed policy before it is presented to you for decision." Eizenstat and OMB concur.

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *attached*
Jack Watson *ac by phone*
Jim McIntyre *attached*

FOR INFORMATION:

The Vice President
Zbig Brzezinski

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schlesinger memo dated 12/13/77 re Nuclear Waste
Management

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 10:00 Noon

DAY: Friday

DATE: December 16, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

Date: December 15, 1977

MEMORANDUM

FOR ACTION:

Charles Warren
Frank Press *attached*

ATTN: GWS spec 74

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schlesinger memo dated 12/13/77 re Nuclear Waste Management

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME:

DAY:

DATE:

IMMEDIATE TURNAROUND

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*GWS spec
for summary*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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Date: December 15, 1977

MEMORANDUM

FOR ACTION:

Charles Warren
Frank Press

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schlesinger memo dated 12/13/77 re Nuclear Waste Management

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TO THE STAFF SECRETARY BY:

TIME:

IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.☐ No comment.*Please note other comments below:*

I strongly urge that, in contrast to the procedure used for consideration of other important energy issues, this examination be conducted in an interagency mode from the beginning. This is a matter of such importance to the fulfillment of the nuclear component of the President's energy program and of such public concern, that the regulators (NRC, EPA, and Transportation), the best scientific knowledge (USGS), and interested executive agencies (DPS, CEQ, OSTP and OMB) should be involved in the formulation of options, the evolution of policy and the development of implementation plans. Such an interagency effort would have greater likelihood of gaining public acceptance of waste disposal policies and procedures than a process in which DOE formulates the outline of policy on its own. Otherwise, I strongly support Secretary Schlesinger's decision to move to fulfill the National Energy Plan commitment to reexamine government policy and procedures for nuclear waste disposal.


Frank Press 12/16/77**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

MEMORANDUM

NATIONAL SECURITY COUNCIL

December 16, 1977

MEMORANDUM FOR: RICK HUTCHESON

FROM: CHRISTINE DODSON *Chdne*

SUBJECT: Comments on Schlesinger Memo
dated 12/13/77 re Nuclear Waste
Management

If the President is indeed overwhelmed with reading and we are making an effort to reduce the amount of paper he must read, this memorandum should not be sent forward. It simply outlines a research project that the President has already approved and will see again after it has been developed and subjected to public comment. This is precisely the kind of intermediate report which, if removed from the President's burden of reading, would significantly lighten his load.

Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson
Jim McIntyre

FOR INFORMATION:

The Vice President
Zbig Brzezinski

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schlesinger memo dated 12/13/77 re Nuclear Waste
Management

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 10:00 Noon

DAY: Friday

DATE: December 16, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.

☐ No comment.

Please note other comments below:

We strongly concur. This will represent one of the potentially most positive steps the federal government has even taken on the nuclear waste issue.

Stu Eizenstat

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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Department of Energy
Washington, D.C. 20585

DEC 13 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER

SUBJECT: Nuclear Waste Management

The Department of Energy believes the formulation of a nuclear waste management policy is a matter of the highest importance because of present concern regarding the ultimate disposal of nuclear waste.

As you recall, in the National Energy Plan, you indicated that a task force under my direction would "review the entire ERDA waste management program." This memorandum outlines the steps we are undertaking to implement this commitment, which forms a major and necessary portion of the Administration's overall nuclear policy.

Principal issues to be resolved in moving toward this policy include: (1) assurance that waste can be effectively isolated from the biosphere; (2) safety; (3) environment; (4) costs; and (5) facility location. Further, the policy must be consistent with your positions on reprocessing and on commercial spent fuel. The policy must also consider all sources of nuclear waste:

- ° Commercial spent fuel
- ° Existing low level and transuranic (TRU) waste (including those at West Valley, New York)
- ° Defense wastes.

Possible new policy initiatives to be considered include:

- (1) Permanent storage of commercial spent fuel rods in a geological depository (with the option retained for future recovery).

- Demonstration by 1985
 - Deferral of reprocessing and vitrification of spent fuel for storage
 - Facility subject to Nuclear Regulatory Commission (NRC) licensing.
- (2) Assumption by DOE of ownership and control of the six existing commercially operated, state-owned and privately-owned low-level waste burial sites in order to assure improved operation.
- Continuation of NRC licensing for these facilities.
- (3) Assumption by DOE of responsibility for TRU commercial waste.
- Permanent storage (with the option retained for future recovery) in a facility subject to NRC licensing.
- (4) DOE assumption of responsibility for West Valley if appropriate terms can be negotiated.
- (5) Processing of existing West Valley and defense high-level waste for long-term storage (with the option retained for future recovery) at the earliest possible date.
- (6) Establishment of Government surface storage facility suitable for long-term disposal as a necessary buffer in the chain between privately-owned storage pools and Government underground geological disposal.

We would expect that an initial permanent storage facility would accept defense high-level waste, commercial TRU, and a few instrumented spent fuel rods.

While costs are very uncertain, below are estimates of major budget impacts of the potential policy initiatives outlined above and possible offsets from user charges.

(1) West Valley takeover and decontamination:

Cost: Up to \$700 million

Offsets: Uncertain, dependent on results
of negotiations with New York
State(2) Permanent storage construction, plus 25 years
operations:

Initial facility:

Cost: \$2 to \$2.5 billion

Offsets: Uncertain; likely less than
\$500 million

Possible second facility:

Cost: \$2.5 to \$3 billion

Offsets: \$2 billion

(3) Surface storage facility; construction plus
25 years operations:

Cost: \$1.2 billion

Offsets: \$800 million

(4) Low-level burial ground takeover, annual
operations:

Cost: \$25 million per year

Offsets: \$25 million per year

These possible policy initiatives differ sharply from prior ERDA plans and practices. The most important differences are:

- ° Assumption of Federal responsibility for commercial low-level and TRU wastes.

- ° NRC licensing on all new long-term depositories
- ° Deferral of processing of commercial spent fuel before storage
- ° Possible takeover of West Valley.

Policy initiatives on this subject must be formulated in a process that permits public discussion and participation of other interested federal agencies in order to achieve the best possible policy and to ensure public and Congressional confidence in the Government's ability to deal with nuclear wastes.

As an initial step, we are establishing a DOE Task Force which will develop the legislative, budgetary, environmental, and contractual aspects of these possible policy initiatives during the next sixty days. The DOE will then initiate an intergovernmental and public discussion process that will provide a full opportunity to structure the proposed policy before it is presented to you for decision.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 16 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR. *Resub for JTM*
ACTING DIRECTOR

SUBJECT: Secretary Schlesinger's Memorandum on Nuclear Waste Management

We are encouraged by, and fully support, the Department of Energy's plan to implement the commitment to review the nuclear waste management problem and to develop a clear waste management policy. However, we are concerned about two assumptions in the memorandum. These are:

- ° A Government surface storage facility for long-term disposal is a necessary buffer in the chain between privately-owned storage pools and permanent underground storage.

Privately-owned, Government-controlled water storage pools, away from reactors, appear to be adequate, through at least the end of the century. Long-term surface disposal, as opposed to permanent storage, has been subjected to extensive environmental reviews and found to be inadequate. In addition, your recent decision on the DOE FY 1979 budget, which has been accepted by DOE, reduces the surface storage activity to a study effort, to be implemented only if deep disposal of wastes is significantly delayed.

- ° Revenue offsets for storage and disposal facilities will not provide for full recovery of Government costs.

This appears to be inconsistent with your decision, announced by DOE on October 18, that a onetime fee would be required to cover the full cost to the Government of providing interim storage and permanent disposal of spent fuel transferred to the Government.

Both of these assumptions should be examined closely during the DOE review.

Finally, we are concerned that no public commitment be made by DOE to initiate a public discussion process at the end of the DOE review scheduled for the middle of February. The very significant, out-year budget impacts of the DOE proposals, well over \$3.5 billion, will need to be reviewed prior to making any direct or implied commitments. We request, therefore, that DOE submit its plans for a Nuclear Waste Management Policy to OMB prior to any public announcement of initiatives or of a date for initiation of the public discussion.

THE WHITE HOUSE
WASHINGTON

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| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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| | SCHNEIDERS |
| | STRAUSS |
| | VOORDE |
| | WARREN |

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

December 20, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren 

SUBJECT: Schlesinger Memo Dated 12/13/77 re Nuclear Waste Management

Secretary Schlesinger is certainly correct in believing "the formulation of a nuclear waste management policy is a matter of the highest importance because of present concern regarding the ultimate disposal of nuclear waste." This belief is supported by recent reports on the Federal Government's program all of which conclude that it has serious deficiencies of both a technical and an institutional nature. A September, 1977, report by the General Accounting Office found that the Federal program "faces many unresolved social, regulatory and geological obstacles," and that the program's progress toward placing radioactive wastes in deep geologic sites -- probably the preferred disposal method -- has been "negligible to date." The report concluded that unless an acceptable solution is found "nuclear power cannot continue to be a practical source of energy." Also, today's radioactive waste inventory -- both civilian and military (measured in curies) -- will double by the early 1980's under current projections of civilian nuclear power reactor growth. Public opinion polls reveal that the hazards of nuclear wastes is the problem that most concerns the public about nuclear power.

For these reasons we strongly support DOE's effort to review its waste management program. Since several agencies have substantial responsibility for or expertise and involvement in aspects of the program and its shortcomings (EPA, NRC, Interior, CEQ, OSTP, OMB, and DPS), we believe it essential that these agencies work closely with DOE in developing proposed waste management program reforms prior to wider inter-governmental and public review.

Moreover, because of the seriousness of our responsibility for managing these wastes safely and the degree of public concern, it is essential that DOE's effort not stand alone but be part of a more comprehensive Administration response to the nuclear waste issue. We have been involved in a series of discussions with DOE as well as with Secretary Andrus, Doug Costle, NRC, OMB and DPS on a broader range of possible Administration waste management initiatives than are addressed in Secretary Schlesinger's memorandum. These discussions have been fruitful. We hope to have proposals for your consideration shortly.

THE WHITE HOUSE

WASHINGTON

Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *NC*
Jody Powell - *attached HD LD*
Jack Watson

FOR INFORMATION:

The Vice President
Hamilton Jordan
Frank Moore (Les Francis) *attached*
Jim Fallows

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Costanza memo re Requests from Indian Community for
and Indian Message

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 12:00 Noon

DAY: Friday

DATE: December 16, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

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THE WHITE HOUSE
WASHINGTON

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| | STRAUSS |
| | VOORDE |
| | WARREN |

THE WHITE HOUSE

WASHINGTON

December 13, 1977

MEMORANDUM FOR: THE PRESIDENT *mc*
FROM: Margaret Costanza
SUBJECT: Requests from Indian Community for an
Indian Message

I have been receiving numerous requests from the Native American Community for a Presidential Indian Message or statement which would reaffirm your commitment to the special fiduciary relationship between the U.S. Government and Native Americans and which would outline objectives and initiatives on the numerous issues affecting American Indians.

As you are aware, Stu has been working with the Department of Interior on the formulation of a message. I have informed Stu that I am planning to hold a major meeting with Indian representatives from across the country in mid-January to give them an opportunity to participate in the formulation of any message or statement.

Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jody Powell
Jack Watson

FOR INFORMATION:

The Vice President
Hamilton Jordan
Frank Moore (Les Francis)
Jim Fallows

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Costanza memo re Requests from Indian Community for
and Indian Message

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ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*This is the set of memo
that doesn't need to go to
President. JH*

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Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jody Powell
Jack Watson

FOR INFORMATION:

The Vice President
Hamilton Jordan
Frank Moore (Les Francis)
Jim Fallows

Les

XC: Tate
Cable
FM

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Costanza memo re Requests from Indian Community for
and Indian Message

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☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

Please note other comments below:

BC
☒ No comment.

CONGRESSIONAL LIAISON: CONCUR, but bring Congressional

figures, e.g. Abourezk into the deliberations. (3r)

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Date: December 14, 1977

MEMORANDUM

FOR ACTION
Stu Eisenstat
Jody Powell
Jack Watson

FOR INFORMATION:

The Vice President
Hamilton Jordan
Frank Moore (Les Francis)
Jim Fallows

xc: Fletcher
Corp.

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Costanza memo re Requests from Indian Community for
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ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☒ No comment. *SM*

Please note other comments below:

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Date: December 14, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jody Powell
Jack Watson

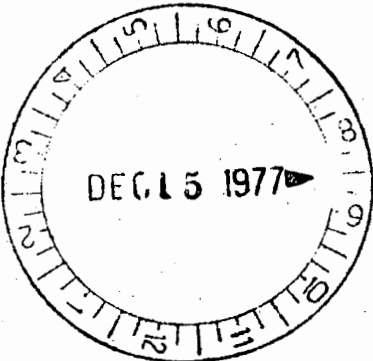
FOR INFORMATION:

The Vice President
Hamilton Jordan
Frank Moore (Les Francis)
Jim Fallows

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Costanza memo re Requests from Indian Community for
and Indian Message

1977 DEC 14 PM 2 48



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TIME: 12:00 Noon

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ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

Any meeting with Indian representatives, and any statement by the President, should be integrated into the development of a set of initiatives to deal with the special problems of both reservation and non-reservation Indians. Since the process of developing such initiatives is already underway, Indian participation should be built in as a regular part of that process. From what I understand, mid-January may be too early to convene a "major meeting," although more informal consultations might be appropriate.

Because of the special legal obligations of the President in dealing with Indians, and because of the special intergovernmental relationships between the Federal government and tribal councils, we are working to assure that the consultation which the President has promised in his dealings with state and local governments be extended to Indian leaders as well. For that reason, any meeting with the Indian representatives might best be planned collaboratively by Midge, Stu, and myself.

JHW/LG

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THE WHITE HOUSE
WASHINGTON

December 19, 1977

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please notify other appropriate parties of the President's decisions. We have transmitted a copy of memo to Secretary Kreps.

Rick Hutcheson

cc: Jack Watson
Jim McIntyre

RE: TRADE ADJUSTMENT ASSISTANCE

THE WHITE HOUSE
WASHINGTON

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|---|---------------------------|
| | FOR STAFFING |
| | FOR INFORMATION |
| ✓ | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

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*cc keeps
str - pls ratify other approp.*

MONDALE
COSTANZA
EIZENSTAT
JORDAN
LIPSHUTZ
MOORE
POWELL
WATSON
McINTYRE
SCHULTZE

*parties
of Pres'
decisions*

ENROLLED BILL
AGENCY REPORT
CAB DECISION
EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

ARAGON
BOURNE
BRZEZINSKI
BUTLER
CARP
H. CARTER
CLOUGH
FALLOWS
FIRST LADY
HARDEN
HUTCHESON
JAGODA
GAMMILL

*Parti -
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KRAFT
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
POSTON
PRESS
SCHLESINGER
SCHNEIDERS
STRAUSS
VOORDE
WARREN

THE WHITE HOUSE
WASHINGTON

December 14, 1977

*Stu - I'm not
sold on this, &
fear its almost
uncontrollable unless
expansion
we hold the line
JC*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Trade Adjustment Assistance

Our proposals to help the steel industry have generated renewed interest in Trade Adjustment Assistance (TAA). The recent AFL-CIO convention has made it clear that alleviating trade impacts will be a high priority with Labor this year.

In light of this interest and continuing activity by Congressional committees, I am resubmitting the TAA decision memo to you.

I do not believe that you need to make final decisions at this time. However, it would be helpful to the Departments of Labor and Commerce to have at least some tentative guidance from you before they discuss TAA reform proposals with the Congress. Congressman Vanik and others intend to proceed with a TAA package early in the next session and committee staff are currently drafting legislation language.

We will lose control of the legislative situation unless we move quickly. Commerce feels particularly strong about this.

**Electrostatic Copy Made
for Preservation Purposes**

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

November 3, 1977

Mr. President:

The attached options memo on a new Trade Adjustment Assistance Program is the result of several months work by a Cabinet-level task force. It had originally been hoped that the memo would be completed earlier in the Congressional session, so that, if you approved the Program, at least some progress could be made toward passage this year.

Now the advantages of postponing an announcement until next year --- further time for refinement; greater chance to consult with Congress (particularly Congressman Vanik, Congress' strongest advocate of an expanded program); avoiding the appearance of a new initiative so soon after your recent press conference statement; and increased opportunity to review the program in the context of next year's economic initiative --- may outweigh the advantages of announcement this year --- indicating Administration commitment to solving problems associated with import-affected industries; defusing some of the pressure from the steel industry; and avoiding a 2 - 3 month period of silence on a program expected by many to be announced this year.

The timing question is not reflected in the attached memo, and I do not think the principals have really focused on it yet. If you approve the Program, I will work with the other principals and Frank to get a quick assessment on timing.

If you wish to send it up this year, it need not come from you but can come from Secretary Marshall and Secretary Kreps.

Stu
Stu

Stu-
Hold until
after steel
decision
month - in con-
cluded about
budget & costs -
JC

THE WHITE HOUSE
WASHINGTON

11/4/77

Mr. President:

Frank Moore concurs, and
thinks delay is a good idea.

OMB's views are attached.

Cabinet views are summarized in the Kreps-Eizenstat memo.

Rick

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

November 3, 1977

MEMORANDUM FOR THE PRESIDENT

FROM

JUANITA KREPS
STU EIZENSTAT



SUBJECT

TRADE ADJUSTMENT ASSISTANCE (TAA)

In your April decision on shoes you promised a complete review of the existing TAA program. An interagency task force (Commerce, Labor, State, Treasury, STR, CEA and OMB) met over the summer to evaluate alternatives. This memo summarizes the views and recommendations of the task force together with those of the Domestic Policy Staff (DPS).

OVERVIEW

All members of the interagency group agree that the existing TAA program has not been fully effective and requires reform. Commerce, Labor, State, Treasury and STR generally agree that the program should be substantially expanded and improved. OMB, and to a lesser extent CEA and DPS, believe that a more modest approach is warranted.

The danger with a less extensive initiative is that it could be viewed as "tinkering" and be counterproductive to our goal of defusing protectionist sentiment in Congress. The overriding question concerning these initiatives is how much spending is actually needed to help blunt moves toward protectionism.

Supporters of the full package to TAA reforms argue that:

- A substantial program is essential to preserve Administration flexibility and credibility in the trade area. A major effort will show that we are serious about supporting a free trade policy. It will give Administration spokesmen ammunition to argue against trade restraints. Without it, congressional action may lead to measures that interfere with free trade or create ineffective trade adjustment assistance programs.
- To the extent that TAA can reduce protectionism, the country as a whole could benefit economically. Existing trade restrictions cost the country \$10-15 billion annually in higher consumer costs, far more than all of the proposed programs. There is, of course,

no way to estimate what savings consumers might realize from reduced protectionism as a result of this program.

- The specific recommendations in this package can be justified on their merits. The recommendations emphasize stimulating new industrial activity--and therefore jobs--in firms and communities damaged by imports. They also focus on encouraging workers to move to new jobs and locations when local alternatives are unpromising. And they provide a new measure of assistance to workers with especially difficult adjustment problems.

A number of Cabinet officers strongly support a full package of reforms. In letters to you or to Stu Eizenstat they have commented:

Secretary Blumenthal:

"I see no reason to delay or eliminate major elements of the interagency reform package...a major effort to revise the present adjustment assistance program is an essential part of our effort to maintain and improve a liberal trading environment..."

Secretary Marshall:

"I am confident that it (the proposed package) will win the support of organized labor and of working people generally...these proposals will help remove justified complaints against open trading policies."

Ambassador Strauss:

"...we strongly support the package... While this alone will not secure the support of labor and business for the Administration's trade policy, it is nevertheless an essential part of securing their support."

Those who favor a more limited expansion of TAA argue that:

- A program with such a limited record of success should not be broadly expanded. The program is now used almost entirely to compensate workers rather than to encourage adjustment. More than 75 percent of the benefits are distributed after workers are reemployed. The Government is relatively inefficient at identifying better opportunities for ailing firms and unemployed workers. High unemployment benefits may actually discourage adjustment.

- We can expect little reduction of protectionist pressures as a result of this initiative. No amount of new TAA spending is likely to divert trade impacted labor unions and industries from seeking import restrictions. For this reason we should minimize new spending for programs not clearly justified on their merits.
- Many of the proposed changes (e.g., health insurance, set-aside jobs) set potentially expensive precedents if applied to other economic dislocations such as base closings and regional shifts.

OPTIONS

We have grouped the decisions into two categories:

1. Consensus Proposals. Items recommended by all Agencies, including OMB, CEA and DPS. We have summarized these proposals briefly, but can provide additional information if you desire. Cost details accompany major proposals.
2. Disputed Proposals. Items with which one or more Agencies disagree. As the table on the next page indicates, most of the costs of these proposals are represented in five major initiatives. Cost details accompany major proposals.

PROGRAM COSTS

In 1976 TAA expenditures were \$106 million. This year they will rise to \$229 million.

OMB and the interagency task force disagree about what the additional costs of the TAA proposals are likely to be. The interagency group expects that the number of trade-impacted workers will gradually drop over the next several years as the general unemployment picture improves. That decline in existing program costs will partially offset the costs of new initiatives. The interagency group estimates, therefore, that the total costs of the proposed program are not likely to exceed \$570 million. OMB believes that program costs could be much higher (especially if the number of impacted workers increases) and estimates full implementation could cost \$675 million.

The discrepancy in cost estimates results in part because we are proposing a number of interrelated changes in the Trade Act. The impacts of these changes are very hard to separate and quantify, so these numbers are only best guesses.

Cost increases as a result of liberalized criteria for admission to the program are particularly hard to gauge because of the possibility of unforeseen increases in program participation. It

is worth noting that under the present criteria only 235,000 out of 536,000 workers who applied for aid have been certified, so the possibility exists for a significant increase in program size.

Projected Average Annual Expenditures

| | OMB Estimate (\$ millions) | Interagency Estimate (\$ millions) |
|--------------------------------|----------------------------------|--|
| <u>Existing Program</u> | \$ 229 | \$ 229 |
| <u>Consensus Proposals</u> | 101 | 73 |
| <u>Disputed Proposals</u> | 345 | 268 |
| Community Assistance | 100 | 100 |
| Liberalized Firm Certification | 75 ← | 15 |
| Public Service Jobs | 74 | 74 |
| Coverage of Suppliers | 40 ← | 30 |
| Health Insurance | 24 | 24 |
| All Others | 32 | 25 |
| <u>Total</u> | \$ 675 | \$ 570 |

For both DoC and DoL, implementation of all the interagency proposals will require increasing the personnel assigned to TAA from 230 to approximately 425 at a cost of approximately \$3 million.

CONSENSUS PROPOSALS

- Development and implementation of an "Early Identification-Outreach Program" aimed at anticipating trade-related problems, which will monitor trade trends, detect trade-induced unemployment, and inform industry and labor of TAA procedures and benefits (\$7 million).
- Administrative changes by DoC and DoL to simplify and expedite applications for TAA and to increase coordination between the two Departments (\$1-3 million).
- Improvements to the worker program by minor legislative changes authorizing TAA investigations before the receipt of petitions, TAA for workers bumped from their jobs by trade-impacted workers with seniority, extended periods for workers to file for job search assistance and relocation allowances, expedited tax rebates for workers who repay (taxable) Supplemental Unemployment Benefits when they receive (non-taxable) lump sum TAA unemployment benefits, and TAA for workers who move between employers. (approximately \$10 million)

- Continuation of TAA unemployment benefits until workers enrolled in training programs complete training (\$2 million).
- Expanded technical assistance for firms, including interim technical assistance financing during the TAA application process and increased Government funding of technical studies (\$10 million--current outlays negligible).
- Expanded financial assistance for firms, including higher Government lending ceilings on direct loans and loan guarantees, a reduction, when appropriate, in the interest rates on direct loans to the level of Treasury's cost of borrowing, and, when appropriate, interest rate subsidies up to a maximum of 4 percentage points on guaranteed loans (\$62 million--current outlays \$11 million).
- Introduction of an industry-oriented TAA program, including comprehensive analyses by DoC of the factors affecting the international competitiveness of trade-vulnerable domestic industries and Government matching grants, administered by DoC and DoL, to industry or labor associations to share startup costs of industry-wide programs for R&D or technology/production upgrading (\$4 million).

YES ☒ NO ☐ COMMENT _____

PC

DISPUTED PROPOSALS

With the exception of the first of these proposals, which can be implemented administratively, all the rest will require legislative changes to the TAA program.

- Modified regulatory policies by DoC and DoL to permit the Departments to presume that imports contributed importantly to injury in cases where ITC has found serious injury to an entire industry. This measure would eliminate DoC's and DoL's duplication of ITC's investigation of this matter. (\$5 million)

OMB objects because not all ailing firms or unemployed workers in an industry found import injured by ITC may be in distress due to import problems. DPS, however, joins the other agencies in believing that the danger that aid will go to undeserving firms and workers is outweighed by the need to accelerate certification and avoid duplication.

FOR: DoL, DoC, State, Treasury, CEA, STR, DPS
AGAINST: OMB

YES ___ NO ___ COMMENT _____

- Extension, by up to 6 additional months, of supplementary TAA unemployment insurance benefits (in addition to the current 18 months) for workers 60 years of age or older at time of trade-related layoff. This measure would provide an income bridge for such workers between layoff and Social Security eligibility at age 62. (\$400,000)

OMB objects because this measure sets a precedent for a guaranteed type of pre-Social Security benefit. DPS and the other agencies recommend the proposal on the ground that it is a low-cost benefit for a small number of people who are unlikely to find new jobs prior to retirement.

FOR: DoL, DoC, State, Treasury, CEA, STR, DPS
AGAINST: OMB

YES ___ NO ☒ COMMENT _____

- TAA for workers who lose their jobs in multiproduct plants where it is impossible to discern which individuals were directly displaced by imports. (no cost estimate available)

OMB questions the soundness of this expansion of eligibility to workers who are not clearly affected by trade. Given the difficulty of determining actual trade impacts in multiproduct plants, DPS joins the other agencies in believing a blanket inclusion of laid-off workers is justified.

FOR: DoL, DoC, State, Treasury, CEA, STR, DPS
AGAINST: OMB

YES ___ NO ☒ COMMENT _____

- Certification of workers on the basis of threat of decline of sales or production by employing firm, in addition to (current law) actual decline of sales or production. Workers would still have to experience total or partial job separation before receiving TAA payments. (\$5 million)

Occasionally, firms can predict future trade-related sales or production declines, and this measure would permit DoL to anticipate the employment consequences of such declines. Moreover, the Trade Act now includes the threat of total or partial unemployment as one of the criterion for certification. OMB, CEA and DPS object to the proposal, however, on the grounds that threat of sales or production decline is a loose standard allowing too much discretion and possible program abuse.

FOR: DoL, DoC, STR, Treasury, State
AGAINST: OMB, DPS, CEA

YES ___ NO ☒ COMMENT _____

- Relaxation of criteria for admission of firms to the TAA program. Currently firms must show an actual decline in sales or production to qualify for TAA. The interagency group proposes to allow certification in cases in which increasing imports contributed to the idling of productive facilities, or to the inability of a firm to operate at a reasonable level of profit (\$15-75 million).

These alternative criteria were included in the Trade Expansion Action of 1962 and would be used to supplement the criteria of the Trade Act of 1974. The rationale for this broadening of eligibility is that firms may be hurt by imports, even though no actual sales or production declines have occurred. OMB, CEA and DPS believe, however, that it would be unwise to open TAA to firms that cannot operate at profitable levels of production unless actual sales or production declines are shown.

DoC estimates that this measure would increase costs of the firms program by no more than \$15 million, and then only temporarily, as the continued deterioration of conditions in trade-impacted firms would eventually make them qualify for TAA under current certification criteria. OMB believes that the broadened criteria, when coupled with all the other measures to liberalize TAA, could increase the cost of the firm program by as much as \$75 million.

FOR: DoC, DoL, State, Treasury, STR
AGAINST: OMB, DPS, CEA

YES ___ NO ☒ COMMENT _____

- Extension of TAA to cover firms, and their workers, supplying 25 percent or more of their output (component parts, production materials, and services) to trade-impacted firms, providing that the supplying firms, and their workers, also meet the Trade Act criteria relating to unemployment and sales or production declines. (\$30-\$40 million).

This measure would correct the inconsistency in current law which makes TAA available to all segments of integrated companies, and their workers, and yet denies benefits to independent suppliers, and their workers, even through trade-induced injury may extend to them. The 25 percent criterion is consistent with DoL's rules for defining intra-firm relationships under the Trade Act.

DPS recommends, along with OMB and CEA, that coverage should only be available to firms with 50 percent of their goods and services going to trade-impacted firms, given that suppliers would be able to adjust more easily than directly affected firms. OMB favors a further restriction which would bar the extension of TAA to companies supplying service to trade-impacted firms, regardless of the percentage of service provided.

Coverage of Suppliers of 25% of goods and services _____
(DoL, DoC, Treasury, State, STR support)

Coverage of Suppliers of 50% of goods and services _____
(DPS and CEA support)

Coverage of Suppliers of 50% of goods only _____ ✓
(OMB supports)

- Extension of TAA to cover workers who lose their jobs because of a shift of production to a foreign location. DoL estimates that this proposal would increase worker caseload by 10 percent. (\$20 million)

The criteria for workers' certification do not permit TAA coverage in cases in which a firm relocates overseas. While the connections between trade and international relocations are complex, so far as workers are concerned such relocations simply mean lost jobs--visibly transferred

abroad. This measure would significantly enhance the acceptability of the entire TAA program to organized labor.

All agencies ~~except~~ DoL oppose this extension of the Trade Act. The other agencies point out that the new criteria could be applied to cases in which no trade impacts had been found, thereby extending TAA into a whole new area while doing nothing to alleviate demands for import relief. They argue that the determination that production had actually moved overseas would be complex and uncertain. Since business spokesmen deny that U.S. production overseas necessarily reduces U.S. employment, they would be strongly opposed to this proposal, which could be interpreted as a major change in existing policies regarding international investment.

FOR: DoL

AGAINST: Treasury, State, STR, CEA, DoC, OMB, DPS

YES ___ NO ☒ COMMENT _____

- Preliminary training and job search assistance for workers currently employed but whose separation from a trade-impacted job is imminent. No cash benefits would be provided until after workers are laid off. DoL desires to begin these adjustment stimulating measures in cases where lay-offs are foreseeable though not yet actual. (no cost estimate available)

OMB and CEA object on the grounds that the procedure could disrupt production in firms that may be making successful efforts to adjust to trade injury. DPS, however, believes the need to facilitate timely adjustment to new jobs outweighs any potential disruption penalty.

FOR: DoL, DoC, Treasury, State, STR, DPS

AGAINST: OMB, CEA

YES ___ NO ☒ COMMENT _____

- Increased government payment for worker relocation allowances from 80 percent (current law) to 100 percent of "reasonable and necessary" costs incurred. Relocation to a new job saves DoL money in the long run by reducing the duration of TAA unemployment insurance payments. And even with full relocation allowances, workers still have to face heavy settling-in expenses. (\$1.4 million)

OMB, CEA, State and DPS object on the grounds that reimbursing 100 percent of the moving costs gives workers no incentive to economize in their expenses. They all support a 90% reimbursement.

100% _____ (DoL, DoC, Treasury, STR support)

90% ✓ (OMB, CEA, State, DPS support)

80% _____ (existing coverage)

- Health insurance for trade-impacted workers during their period of eligibility for TAA unemployment insurance benefits. (\$24 million annual average.) DoL would contract with a private health insurance carrier to provide group insurance, roughly equivalent to that provided under Medicare, to eligible trade-impacted workers. Only workers who had health insurance before they became unemployed and who were not covered by the plan of another family member would be included in the group to be insured by DoL. Workers who lost a family health plan would be given family coverage.

Lack of financial protection and security against costly illness can impede effective worker adjustment, especially since the average family has about 90 percent of its hospital bills paid for by health insurance. This is a stopgap measure to provide health insurance to a small group of workers (about 50,000) who, lacking it, could have especially difficult adjustment problems. The coverage would, of course, be incorporated into any NHI plan.

OMB and CEA object because of the precedent involved and because planning for NHI is not complete. HEW does not object so long as the program does not involve Medicare. Given HEW's position, DPS recommends approval.

FOR: DoL, DoC, State, Treasury, STR, DPS
AGAINST: OMB, CEA

YES _____ NO ✓ COMMENT _____

- Authorization of public service employment (PSE) jobs, up to a maximum of 10,000 in number, for workers 55 years old

and over which would be available to such workers after they have exhausted their TAA unemployment insurance benefits. (\$17 million initial year; \$74 million maximum in 5th year.) In order to implement this provision, DoL will need legislative authorization in the Trade Act and additional funding for the PSE slots. DoL argues that the changes are needed because:

- (1) DoL has little control over the particular individuals who receive PSE jobs from CETA prime sponsors; (2) the present level of 750,000 PSE jobs is authorized only through FY 1978, and, given the permanent Title II level of 50,000 PSE slots nationwide, there is little possibility that 10,000 slots could be reserved for trade-impacted workers; and (3) while some CETA discretionary money has been used for TAA, the \$74 million needed for PSE is far more than that obtainable through CETA.

The proposal would create a pool of PSE jobs designated for trade-impacted workers but not worker entitlement to such jobs.

Adjustment is especially difficult for older workers since many have worked in a single industry or community for most of their lives. This proposal keeps such workers in the active labor force. Moreover, since the average PSE is only \$7,200 per year, the workers in these jobs would continue to have an incentive to seek and accept any suitable unsubsidized jobs. This is a major new initiative which can increase the acceptability of TAA to American workers.

OMB and CEA object because the proposal will, in their view, establish a job guarantee subject only to budget limits, and because it runs counter to Administration efforts to reduce PSE employment as the unemployment rate drops. DPS also objects on the grounds that it is unwise to reserve PSE jobs for special categories of the unemployed when others may be equally deserving.

FOR: DoL, DoC, State, Treasury, STR
AGAINST: OMB, CEA, DPS

YES ☐ NO ☒ COMMENT _____

- Implementation of a comprehensive TAA community assistance program (\$100 million--current annual outlays \$7 million). Initially, this expanded community assistance program would be delivered by DoC under the authority of Title IX of the Public Works and Economic Development Act because the certification criteria of the Trade Act now effectively preclude TAA for communities. To correct these legislative impediments, it is further proposed to amend the Trade Act to:

- Delete the criterion that sales or production of firms in trade-impacted areas have decreased absolutely. Currently, the Trade Act requires DoC to collect sales or production data from all or nearly all firms in a trade-impacted area, and communities have not been able to meet this requirement. A new easier-to-measure criteria involving the number of laid-off workers would be adopted (see below).
- Revise the definition of a community in order to enable DoC to offer assistance in any concentrated area of trade impact rather than be limited (as under current law) to assisting only political subdivisions of States. Currently, inner-city areas, such as the New York City garment district, are denied direct community assistance.

\$90 mil / The proposed level of outlays would enable DoC to fund adjustment plans in approximately 120 areas (States, counties, cities and labor areas). In the first year approximately 30 communities can be expected to apply for implementation grants averaging \$3 million each. In combination with strengthened assistance for firms, the expanded community program should be the key mechanism by which improved TAA can preserve or increase private sector employment.

While OMB and CEA agree to a larger community program, they recommend a more cautious expansion than that proposed here. DPS also agrees to expanded community assistance in principle, but recommends that new commitments be limited to no more than half of the proposed outlays (or a \$50 million expansion) until the program has a better record of success.

_____ \$100 million

_____ \$ 50 million

_____ no expansion

YES _____ NO ☒ COMMENT _____

- Blanket certification for communities under which communities would become automatically eligible to apply for TAA in cases where 5 percent or more of a community's local work force, or 200 workers, whichever is larger, have been certified by DoL as eligible to apply for worker TAA. (Costs included in proposal above.) This proposal would further simplify community certification, beyond the steps recommended above, and would link the community and worker programs.

OMB believes this proposal unnecessarily relaxes community certification criteria. All other agencies support this proposal.

FOR: DoL, DoC, State, Treasury, CEA, STR, DPS
AGAINST: OMB

YES ___ NO ☒ COMMENT _____

ORGANIZATIONAL PROPOSALS

Apart from the programmatic changes recommended in the preceding two sections, the interagency group also recommends two measures to improve the coordination and funding of the TAA program.

- Formal establishment of the Commerce-Labor Adjustment Action Committee, co-chaired by DoC and DoL, composed of senior officials responsible for adjustment activities in these two Departments plus representatives from State, Treasury, STR, and DoD. In the past, no mechanism has operated effectively to coordinate TAA programs for firms, workers, and communities. Recently, on an ad hoc basis, Commerce and Labor established an Adjustment Action Committee to correct this problem. It brings together the two main agencies with program responsibility and budget resources, which is the key to effective coordination.

A Presidential directive establishing the Commerce-Labor Adjustment Action Committee would be accompanied by a legislative recommendation to eliminate the Adjustment Assistance Coordinating Committee, which Section 281 of the Trade Act mandates. That committee, chaired by STR, has not functioned largely because it puts STR in the untenable position of trying to coordinate programs lodged in two line Departments.

DPS approves this proposal as does STR.

YES ___ NO ___ COMMENT _____

AMB - heavy comment?

- Identifiable funding for TAA. As a step toward ensuring adequate funding of TAA and as a sign of commitment to the program, the interagency task force recommends adoption of a budgetary procedure to identify TAA program funds--either by separate line item treatment in the Budget or by description of the activities. Congress, industry, labor, and the public will thereby see tangible evidence of the Administration's intentions in this area.

OMB and DPS object on the grounds that the proposal creates a visible line item which would be a convenient target for increased funds and might create a greater likelihood of "throwing money" at this difficult problem.

FOR: DoL, DoC, Treasury, State, STR, CEA (In principle though not as to the specifics of proposed expenditures).

AGAINST: OMB, DPS

YES ___ NO ☒ COMMENT _____.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 31 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: Jim McIntyre *Jim McIntyre*
SUBJECT: Trade Adjustment Assistance

The attached memorandum from Juanita Kreps and Stu Eizenstat recommends that you approve numerous changes in the trade adjustment assistance (TAA) program. OMB opposes many of the changes and believes that you should focus on certain key factors regarding the overall program as you decide these issues. These factors and the proposals most directly affected are discussed below.

Background

Trade adjustment assistance is provided for by the Trade Act of 1974. Under the program, workers unemployed as a result of increased imports can receive tax-free weekly cash benefits in addition to their regular State Unemployment Insurance (UI) benefits. The ceiling on the benefits is 70% of the worker's average weekly wage, up to the national average wage in manufacturing (\$210 per week). Workers are also eligible for retraining, job search, and relocation benefits. Adversely affected firms can receive Federal support for technical assistance as well as loans and loan guarantees to implement a recovery plan. Trade-impacted communities can receive Federal grants as well as loans and guarantees. The worker portion of the program is administered by the Department of Labor; Commerce runs the programs for firms and communities.

Any change in TAA will have to overcome the thoroughly discredited image of the current program. Despite many provisions in the Trade Act of 1974 designed to improve the program, the only active component is compensation for dislocated workers (\$209 million in 1977), and even this part of the program has not worked well. More than 75% of the benefits have been delivered to recipients after they have already been reemployed. Also, it is administratively difficult to exclude logically ineligible recipients, such as the 60,000 auto workers who can now receive compensation whenever they are temporarily laid off for model changes during their 2-year certification period. Finally, little in the current program has been devoted to facilitating real adjustment. The worker relocation benefits and the programs for firms and communities have been little used. As a result, the new TAA initiative must improve the disbursement and administration of benefits.

Analysis

The objectives of TAA are threefold: Gaining political support for free trade policies, promoting adjustment, and compensating for trade-related injuries. OMB has major concerns with the effectiveness of the interagency proposals in meeting these objectives.

- . Gaining Political Support. A major initiative may be required to support an overall political environment that would enable key Congressmen to vote against protectionist measures. However, the extent and nature of specific TAA measures necessary to achieve this are not at all clear, especially because, unlike previous reforms of TAA, the proposed package would not be associated with a specific legislative quid pro quo. Moreover, it is unlikely that even substantial TAA improvement will divert trade-impacted labor unions and industries from their efforts to obtain import restrictions, even though they will support liberalization of TAA benefits. The recent substantial increases in TAA compensation levels coincide with the rise in protectionist pressures. A large initiative now is likely to elicit only a short-term diminution of protectionist pressures, if any at all, but the increase in budget costs will be permanent. It is our sense that the success of this initiative will depend as much on effective advocacy of the program as on specific program initiatives and funding levels.
- . Adjustment. In general, we believe that the government is relatively inefficient at identifying better opportunities for ailing firms and unemployed workers, and that ultimately most TAA programs will simply end up compensating losers from import competition.
- . Compensation. The provision of high benefits as compensation may actually reduce the incentive for adjustment, particularly for secondary workers with little attachment to the labor force. If this is true, the TAA program may be further discredited in the public eye, thereby also reducing its usefulness in meeting protectionist pressures. High compensation benefits also create equity problems when, for example, a worker unemployed for trade reasons is treated better than his neighbor who may be unemployed because of shifts in domestic demand. The equity problem is particularly notable because most trade-related disruptions, unlike certain other problems, are not the direct result of government actions.

In addition to the problems noted above concerning the objectives of TAA, we have two other concerns:

- Precedent. Several proposed changes in TAA could create undesirable precedents which could spread to government-caused adjustment problems (e.g., DOD base closings, environmental enforcement, airline deregulation, and Redwood Park expansion) or possibly to the more normal dislocations due to the working of the economy.
- Cost Uncertainties. The incremental costs are far from certain, and may vary by as much as \$200 million, in part because worker costs are entitlements and are thus uncontrollable. The uncertainties grow as TAA coverage broadens.

Reform Proposals

The Kreps/Eizenstat memorandum seeks sixteen separate decisions on a wide range of provisions which are not arrayed in any clear order to facilitate decisionmaking. OMB suggests that you consider the decisions under several major headings which highlight common elements of individual proposals and, in our view, indicate their potential drawbacks.

The core of the TAA package is a group of consensus proposals designed to speed the delivery of benefits and provide greater Federal financial support of the adjustment process. OMB believes that implementation of these measures would substantially eliminate the most serious problems with the current programs. Together with the proposed reorganization, which OMB also supports, these proposals would constitute a major Administration initiative.

OMB concerns with most of the remaining proposals stem from our fundamental belief that the TAA program must be viewed as part of an overall government program to facilitate economic adjustment. The two basic concerns are:

1. Proposals to relax criteria to ensure that effectively all eligible recipients receive benefits should not greatly increase leakage of benefits to those not affected by trade. Not only would this unnecessarily add to program cost, but it would increase the pressure to provide enriched benefits outside the trade sector.
2. Proposals which would not be acceptable as part of a general policy should not be adopted in the hope that the damage can be limited to the TAA program. This concern applies mainly to the proposals to add "sweeteners" to already rich compensation benefits. Besides the danger that these richer benefits may become the norm in other sectors, we believe that these sweeteners can actually retard the adjustment process by creating disincentives to seek alternative employment.

Concerning budget issues, we do not support the Labor and Commerce request for a presidential commitment to seek "separate and identifiable" funding for TAA programs. Currently TAA funds (beyond the unemployment compensation for workers) are allocated from each Secretary's discretionary funds. This use of large general appropriations rather than smaller dedicated funds is the most flexible approach, since unforeseen changes in requirements can be met without congressional approval. We propose, however, to include in the budget a description of the TAA activities funded under the larger general appropriations. This approach should be sufficient to indicate Administration commitment without sacrificing flexibility. The relationship between agency estimates of personnel requirements and overall agency ceilings will, of course, be examined in the 1979 budget process.

Recommendation: Because Juanita and Stu's memorandum does not really provide any analytic basis for reviewing the long list of proposals, we have attempted to organize the issues into decision packages with certain characteristics. We recommend that you consider the TAA issue by deciding upon the five discrete packages presented in the Attachment. We recommend approval of Packages 1 and 2, which contain the consensus proposals. We recommend approval of Package 3 -- a comprehensive community program -- without provision for automatic eligibility and funded at \$50 million rather than \$100 million. Packages 4 and 5 relate to the OMB concerns noted above -- leakage and enrichment of benefits -- and we strongly recommend against approval of these. Finally, we recommend against the Commerce and Labor request for separate and identifiable funding for the TAA program.

Attachment

Summary
Ranking of TAA Proposals

Proposal

Cost (\$ in thousands)
Increment Cumulative

(full-year cost once
proposal is fully
operational)

Current Program

| | | |
|----------------------|---------|---------|
| Worker Benefits | 209,000 | 209,000 |
| Assistance to Firms | 11,000 | 220,000 |
| Community Assistance | 7,000 | 227,000 |
| Administrative Costs | 2,000 | 229,000 |

Package 1: Administrative Changes

| | | |
|---|-------|---------|
| 1. Simplify application procedures | * | * |
| 2. Reorganize Commerce & Labor TAA management | * | * |
| 3. New Commerce/Labor coordinating committee | * | * |
| 4. Outreach (publicity) | 500 | 229,500 |
| 5. Application assistance | 200 | 229,700 |
| 6. Trade monitoring system | 300 | 230,000 |
| 7. Employment monitoring system | 6,000 | 236,000 |

Approve: _____

Disapprove: _____

Comment:

| <u>Proposal</u> | <u>Cost (\$ in thousands)</u> | |
|---|-------------------------------|-------------------|
| | <u>Increment</u> | <u>Cumulative</u> |
| <u>Package 2: Minor Increases in Worker and Firm Benefits</u> | | |
| 1. Technical assistance for trade associations and unions | 14,000 | 250,000 |
| 2. Extend job search & relocation | 500 | 250,500 |
| 3. Tax rebates for SUB plans | * | 250,500 |
| 4. Authority to initiate investigations without petitions | * | 250,500 |
| 5. Raise loan and guarantee ceilings | 63,000 | 313,500 |
| 6. Increased direct loans to firms from Commerce Department | | |
| 7. 4% interest subsidy by Commerce on guaranteed loans | | |
| 8. Early technical assistance | 7,000 | 320,500 |
| 9. Greater government share of technical assistance funding (to 90%) | 3,000 | 323,500 |
| 10. Greater government share of relocation allowances (to 90%) | 700 | 324,200 |
| 11. Relax personal guarantee requirement for loans to firms | * | 324,200 |
| 12. Cover transient workers | 5,000 | 329,200 |
| 13. Cover workers "bumped" by trade-affected workers | * | 329,200 |
| 14. Extend benefits beyond 78 weeks to permit workers enrolled in training to complete programs | 1,900 | 331,100 |
| 15. Cover secondary firms providing 50% of their goods to trade-impacted firms | 20,000 | 351,100 |

Approve: _____

Disapprove: _____

Comment:

| <u>Proposal</u> | <u>Cost (\$ in thousands)</u> | |
|--|-------------------------------|-------------------|
| | <u>Increment</u> | <u>Cumulative</u> |
| <u>Package 3: Activated Community Assistance Program</u> | 50,000 | 401,100 |

1. Delete criterion that sales or production of the community's firms in the aggregate must decline absolutely (to solve data gathering problem)
2. Redefine "community" to enable Commerce to concentrate aid in smaller areas, e.g., garment district

Approve: _____

Disapprove: _____

Comment: _____

Package 4: Substantial Relaxation of Eligibility Requirements

| | | |
|---|--------|---------|
| 1. Automatic eligibility of communities when 5% of local work force has been certified for TAA | 50,000 | 451,100 |
| 2. Training & job search grants for imminently unemployed workers | * | 451,100 |
| 3. Cover all workers in multiproduct plants where trade effects cannot be easily linked to particular workers | 10,000 | 461,100 |
| 4. Lower criterion for coverage of secondary firms from 50% (in Package 2) to 25% | 20,000 | 481,100 |
| 5. Certify workers based on "threat" of decline in sales or production of firm | 5,000 | 486,100 |
| 6. Allow presumption of injury for all firms & workers in industries where ITC finds serious injury | 5,000 | 491,100 |
| 7. Cover workers in plants relocating abroad | 20,000 | 511,100 |

Proposal

Cost (\$ in thousands)
Increment Cumulative

- | | | |
|--|--------|---------|
| 8. Add selected language from 1962 Trade Act so that firms and workers may be certified on the basis of idle facilities or inability to operate at reasonable level of profit, rather than to require an actual decline in sales or production | 75,000 | 586,100 |
|--|--------|---------|

Approve: _____

Disapprove: _____

Comment:

Package 5: Substantial Enrichment of Compensation Benefits

- | | | |
|---|--------|---------|
| 1. Health insurance | 24,000 | 610,100 |
| 2. Public service employment for older workers | 74,000 | 684,100 |
| 3. Provide an additional 6 months of benefits for workers aged 60 years or older | 400 | 684,500 |
| 4. Increase government share of relocation allowances from 90% (in Package 2) to 100% | 900 | 685,400 |

Approve: _____

Disapprove: _____

Comment:

WATSON COMMENT

THE WHITE HOUSE
WASHINGTON

~~clerk w/~~
~~SW & FM~~

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

Date: September 21, 1977

FOR ACTION:

Stu Eizenstat
Hamilton Jordan - should be signifying
Bob Lipshutz
Frank Moore
Jack Watson

FOR INFORMATION:

The Vice President
Bert Lance
Charles Schultze
Bob Strauss

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Sec. Kreps memo dated 9/20/77 re Trade Adjustment Assistance

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Friday

DATE: September 23, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

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| <input type="checkbox"/> | FOR INFORMATION |
| <input type="checkbox"/> | FROM PRESIDENT'S OUTBOX |
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| <input type="checkbox"/> | IMMEDIATE TURNAROUND |

| ACTION | FYI | |
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| <input type="checkbox"/> | ENROLLED BILL |
| <input type="checkbox"/> | AGENCY REPORT |
| <input type="checkbox"/> | CAB DECISION |
| <input type="checkbox"/> | EXECUTIVE ORDER |

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

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| <input type="checkbox"/> | ARAGON |
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| <input type="checkbox"/> | CARP |
| <input type="checkbox"/> | H. CARTER |
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| <input checked="" type="checkbox"/> | STRAUSS |
| <input type="checkbox"/> | VOORDE |
| <input type="checkbox"/> | WARREN |

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

September 20, 1977

MEMORANDUM FOR THE PRESIDENT

"ACTION"

FROM: *Juanita M. Kreps*
Juanita M. Kreps

SUBJECT: Trade Adjustment Assistance

On April 1 you directed a Cabinet-level group to carry out a comprehensive review of the trade adjustment assistance (TAA) program and to provide you with recommendations for improving the program.

The review of TAA was necessary because, notwithstanding the substantial benefits derived from open trade, segments of our economy have suffered and continue to suffer trade injury. TAA was enacted to help remedy the specific hurt associated with open trade, but its help has been and remains inadequate. Given its past record, labor, many segments of business, and State and local officials view TAA with great skepticism. Accordingly, superficial improvements to TAA are unlikely to suffice. The recommendations developed by the interagency task force on TAA point to substantial change in the program.

The subsequent review produced significant consensus on both the opportunities and means for improving TAA. More than 80 percent of the proposals, in cost terms, reflect interagency agreement. Disagreement persists with respect to a few proposals. This report summarizes all recommendations but emphasizes those lacking consensus interagency support. Participating in the development of final recommendations were: CEA, Commerce, Labor, OMB, State, STR, and Treasury.

The recommendations will bring about improvements in the TAA program that will yield substantial economic benefits. Less certain, we must admit, is whether the improved program will be sufficiently effective in stimulating economic adjustment to win strong support for open trade policies. That outcome cannot be guaranteed, especially if events conspire to push up protectionists' pressures. Still, failure to upgrade TAA will certainly encourage protectionism.

Benefits and Costs of Improved TAA

Our Nation benefits in many ways from open trade, but its basic gain is avoidance of the costs associated with restricted trade. The consumer costs of our existing restrictions on trade

are estimated at \$10-\$15 billion per year. New restrictions, which may come if TAA remains ineffective, would push these costs higher.

Import relief inflates prices, shifts economic benefits from consumers to producers or middlemen, and provokes retaliation from other nations that reduces our exports. It preserves the status quo rather than inducing greater efficiency in protected domestic industries.

By contrast, effective TAA stimulates change and fosters economic efficiency. The cost of improving TAA, assuming all recommendations were approved, amounts to \$289 million above the level of current outlays for TAA--for a total program cost of \$517 million. While there is no way to specify precisely what the \$289 million will save the Nation in costs of trade restriction, it should be pointed out that the recommended new expenditures represent less than 3 percent of what such restrictions now cost the Nation.

History and Record of TAA

The Trade Expansion Act of 1962 first introduced TAA (for workers and firms) as an alternative to border relief for American industries injured by imports. Until late 1969 no worker or firm was certified as eligible for assistance. Between the end of 1969 and April 1975, when the Trade Expansion Act expired, assistance was provided to 35,000 workers and 19 firms, at an average annual expenditure of \$25 million. This phase of TAA is generally viewed as a failure.

The Trade Act of 1974 extended, with modifications, the earlier worker and firm programs and added a community assistance program. In the first 2 years after the Trade Act went into effect, about 145,000 workers and 24 firms were provided assistance. No communities received assistance under the Trade Act provisions, though some trade-impacted communities received help under other programs. Federal TAA outlays in these 2 years averaged about \$150 million per year.

Under existing TAA, the worker program, administered by DoL, provides trade-impacted workers with supplementary unemployment insurance, job counseling, training, and job search and relocation allowances. The firm program, administered by DoC, provides technical assistance and financial assistance--in the form of direct loans and loan guarantees. The community program, also under DoC, provides technical assistance and financial assistance to support community redevelopment plans. All parties requesting TAA must first go through a process which entails petitioning for assistance; investigation of petitions; and finally certification of eligibility for assistance. Firms and communities face an

additional requirement; they must file, and have approved, economic recovery plans before they can receive the full range of benefits.

The review of TAA has pinpointed a number of deficiencies in the current program including: failure to anticipate problems, lack of program awareness and long delays in the delivery of assistance to workers and firms, inadequate coverage of some workers and firms, no meaningful assistance to communities, emphasis on providing worker support but without strengthening industries or creating jobs, and a general lack of coordination. Low funding levels have not been equal to the task of adjustment or job creation.

Strategy for Improving TAA

TAA can serve three purposes:

- (1) To encourage adjustment--the reallocation of resources to more efficient uses--in response to changing economic conditions induced by shifts in trading patterns.
- (2) To ameliorate, on the grounds of fairness, the injuries associated with open trade.
- (3) To win political support for open trade policies.

The recommendations for improving TAA, while they do not ignore the need to ameliorate trade-induced injuries, stress adjustment, which is the route to constructive economic change. The recommendations emphasize stimulating new industrial activity--and therefore jobs--in firms and communities damaged by imports; supporting the transfer of workers to new job opportunities and to new locations when local alternatives seem unpromising; and providing assistance to those workers who face abnormal adjustment hurdles.

Many of the recommendations will require amending the Trade Act. The interagency task force on TAA recognizes the desirability of keeping legislative action to the absolute minimum, but it also believes a "non-legislation" set of proposals leaves nothing but a shell of recommendations which will accomplish neither economic nor political objectives.

Current and Recommended Expenditures for TAA

In FY 1976 total Federal expenditures for TAA amounted to \$106 million. For FY 1977 they should total about \$229 million. If all recommendations for improving TAA were approved, Federal expenditures would rise, initially, to approximately \$517 million

(in 1977 dollars). An anticipated drop in worker caseloads would bring these expenditures down to about \$495 million (in 1977 dollars) 5 years out.

Two Basic Considerations

In deciding upon the specific proposals that follow, I think it is well to keep in mind the fundamental issue. Although we do not want to oversell TAA, and it is only one of several tools necessary to support open trade, the size and specific innovations in our TAA package must reflect a strong program if we are to put substance behind the Administration's commitment to open trade. While there is no one proposal absolutely essential to the package, if we significantly weaken its overall thrust, we run the risks of losing our credibility with respect to open trade and paying higher long-run costs in terms of international protectionism.

I also believe the Administration should do more than simply propose a strong substantive program for TAA. General acceptance of this new initiative will certainly be enhanced by symbolic efforts on the Administration's part. I urge that the Administration take full credit for these proposals to turn TAA into an effective program. I believe there is much to be gained if you can be actively involved in the initial presentation of the proposals. Your personal involvement can be critical to the reception accorded all our efforts to transform TAA into a program that works.

The Detailed Recommendations

The following material is a summary of the recommendations and views developed by the interagency group. The issues of continuing controversy are marked in red, and they are:

- the initiation of training and job search assistance for workers currently employed but whose separation from adversely affected employment is imminent.
- amending the certification criteria for firms to broaden the concept of injury and thereby simplify firm certification.
- extension of TAA coverage to workers who lose their jobs because of a shift of production to a foreign location.
- an increase in Government payment for worker relocation allowances from 80 percent to 100 percent of "reasonable and necessary" costs incurred.
- health insurance for trade-impacted workers during their period of eligibility for TAA supplementary unemployment insurance.

- authorization of public service employment jobs, up to a maximum of 10,000 in number, for workers 55 years old or over which would be available to such workers after they have exhausted their TAA supplementary unemployment insurance.
- identifiable funding of TAA for budgetary purposes.

RECOMMENDATIONS

The proposals for improving trade adjustment assistance fall into five categories. They are measures for:

- I. Anticipating Potential Trade Related Dislocations
- II. Improving Access to Trade Adjustment Assistance
- III. Extending Coverage to Those Now Denied Trade Adjustment Assistance
- IV. Stimulating Economic Adjustment
- V. Managing, Coordinating and Funding Trade Adjustment Assistance

Wherever possible, estimated costs accompany each specific proposal. A summary cost table appears on page 18.

Unless otherwise indicated, proposals have the support of all Departments and Agencies participating in the review of TAA. In cases where OMB is strongly opposed to specific proposals, its position is recorded. OMB also has reservations on a number of the other proposals, and we assume these will be detailed in a separate OMB memo.

I. ANTICIPATING POTENTIAL TRADE-RELATED DISLOCATIONS

The following proposals aim at ensuring that Government can prepare for trade-related problems before they become acute, provide timely information to the public on programs available, and give assistance to affected parties before their condition deteriorates:

1. Development and implementation of an "Early Identification-Outreach Program" (\$7 million). The components of the program would include:
 - a. full implementation of the trade monitoring and data concordance provisions of the Trade Act of 1974; including the detailed monitoring of imports and their share of domestic consumption, coupled with a new data base for import, export, and domestic production statistics.

STR opposes this on the grounds that the data developed may draw a close and possibly fallacious link between import levels and domestic production trends and may generate unfounded opposition to national trade policies.

- b. implementation on a nationwide basis of DoL's already tested system to detect unemployment, by establishment, in industries subject to increased import competition.
- c. development by DoL and DoC of outreach programs to better inform workers, firms, and communities of TAA procedures and benefits.

YES ___ NO ___ COMMENT _____

2. An interagency study to analyze the potential benefits and costs of advance notice for plant closings and major layoffs. Some evidence exists that advance notice can substantially ease the adjustment process. The study, led by DoL, should include a review of the experience of voluntary or negotiated notice in the United States as well as the advance notice laws of other industrialized countries.

YES ___ NO ___ COMMENT _____

II. IMPROVING ACCESS TO TRADE ADJUSTMENT ASSISTANCE

A variety of administrative bottlenecks and technical legislative impediments now stand in the way of providing TAA expeditiously. These shortcomings can be corrected by the following means:

1. Specified administrative changes by DoC and DoL to expedite the petitioning, investigation, and certification process for workers, firms, and communities and increased coordination between the two Departments in these activities.

YES ___ NO ___ COMMENT _____

2. Minor legislative changes (*) to remove obstacles to rapid certification of workers, including provisions to:

- a. allow the Secretary of Labor to conduct TAA investigations before receipt of petitions. Benefit delivery would still be dependent upon application by trade-impacted parties.
- b. permit certification of workers bumped from their jobs by trade displaced workers and of workers who lose their jobs in multiproduct plants where it is impossible to discern which individuals were directly displaced by imports.
- c. permit worker certification on the basis of threat of decline of sales or production by employing firm in addition to (current law) actual decline of sales or production. This proposal will accelerate certification, but workers will still have to experience total or partial job separation before receiving TAA supplementary unemployment insurance.

YES ___ NO ___ COMMENT _____

(*) Indicates change in legislation required.

3. Minor technical amendments (*) to overcome administrative bottlenecks and unforeseen inequities in the delivery of benefits to workers, including provisions to:

- a. permit individual workers to file applications for job search or relocation allowances up to 1 year after certification, or layoff, whichever is later (rather than up to 1 year after layoff as under current law).
- b. initiate training and job search assistance for workers currently employed but whose separation from adversely affected employment is imminent. No cash benefits would be provided until after workers are laid off.

OMB and CEA object to this proposal on the grounds that it could disrupt production in firms that may be making successful efforts to adjust to trade injury.

- c. authorize expedited tax rebates for workers who repay their Supplementary Unemployment Benefit (SUB) plans upon retroactive receipt of TAA supplementary unemployment insurance.

FOR: DoL, DoC, Treasury, State, STR
AGAINST: OMB, CEA (3b only)

YES ___ NO ___ COMMENT _____

4. A legislative change in the certification criteria for firms to broaden the concept of injury and thereby simplify firm certification. (*) This would be accomplished by inserting the language of Section 301 (c) (1) of the Trade Expansion Act of 1962 into the Trade Act of 1974 and would have the effect of adding an alternative and broader set of criteria for certifying firms as trade impacted.

FOR: DoC, DoL, State, Treasury, CEA, STR
AGAINST: OMB (alternative language weakens rigor of existing criteria)

YES ___ NO ___ COMMENT _____

5. A change in the regulatory policies of DoC and DoL to reduce the problem of determining whether imports contributed importantly to injury. This change will allow the Secretaries of Commerce and Labor to presume that imports "contributed importantly" to total or partial separation (of workers), or the threat thereof, in cases where ITC has found serious injury to an industry, thereby eliminating DoC's and DoL's duplication of ITC's investigation of this matter.

YES ___ NO ___ COMMENT _____

All of the above proposals will entail little in the way of increased administrative costs, but they will increase the costs of benefits delivered across the whole range of TAA programs. The cost summary reflects these generalized impacts.

III. EXTENDING COVERAGE TO THOSE NOW DENIED TRADE ADJUSTMENT ASSISTANCE

Some categories of firms and workers, occasionally injured by trade-related dislocations, do not qualify for TAA under the existing program. To close this gap, the firm and worker programs of TAA would be extended to:

1. cover independent firms, and their workers, supplying 25 percent or more of their output (component parts, production materials, and services) to trade-impacted firms, providing that the supplying firms, and their workers, also meet the Trade Act criteria relating to employment and sales or production declines. (*) (\$30 million) This measure would correct the inconsistency in current law which makes TAA available to all segments of integrated companies, and their workers, and yet denies benefits to independent supplier firms, and their workers, even though trade-induced injury may extend to them.

YES ___ NO ___ COMMENT _____
2. cover workers, with 26 weeks or more of employment in adversely affected jobs, whether or not with the same employer. (*) Currently, workers steadily employed in a series of jobs are excluded from TAA coverage. This proposal involves negligible cost increases.

YES ___ NO ___ COMMENT _____
3. cover workers who lose their jobs because of a shift of production to a foreign location. (*) Several sections of the Trade Act suggest that workers should receive TAA in cases of international relocation, but the criteria for workers' certification do not permit such coverage. DoL estimates that this proposal would increase worker caseload by no more than 10 percent.

pros

- while the connections between trade and international relocations are complex, as far as immediately impacted workers are concerned, international relocations simply mean lost jobs--visibly transferred abroad.
- this would be a new addition to TAA policy and would significantly enhance the acceptability of the program to labor, which views the lack of coverage for these workers as a serious program gap.

cons

- this extends TAA beyond the borders of trade policy into the field of foreign direct investment policy.
- it would increase program costs with little reduction of pressures for import relief.
- industry would be strongly opposed to this measure on the grounds that it implies that international relocations destroy domestic jobs.

FOR: DoL

AGAINST: Treasury, CEA, State, STR, OMB, DoC

YES ___ NO ___ COMMENT _____

IV. STIMULATING ECONOMIC ADJUSTMENT

While the foregoing proposals are designed to correct inadequacies in the existing TAA program, those put forward in this section aim at building a new and stronger TAA program. They recognize, too, that not all workers, firms, and communities can adjust to trade-induced dislocations with the same ease. Furthermore, these recommendations introduce the concept of providing TAA on an industry-wide basis. Perhaps more than all other recommendations, those listed below should transform TAA into a program with a fair chance of winning new support for open trade policies.

1. Expanded technical assistance for firms (*) (\$10 million--current outlays negligible) including:
 - a. an increase in Government funding of technical studies from 75 percent (current law) to 90 percent of costs incurred. Frequently, small trade-injured firms find it difficult to bear even 25 percent of the cost of technical studies, yet it is important to induce them to undertake systematic examination of their problems by specialists.
 - b. interim technical assistance financing for firms as soon as DoC has determined that acceptable petitions for TAA assistance have been received. The proposal provides for seed money for technical assistance during the certification process.

YES ___ NO ___ COMMENT _____

2. Expanded financial assistance to firms (*) (\$62 million--current annual outlays \$11 million) by measures to:

- a. raise the ceilings on direct loans (from \$1 million to \$3 million) and on loan guarantees (from \$3 million to \$5 million). The current lending ceilings effectively limit the financial assistance program to small enterprises.

YES ___ NO ___ COMMENT _____

- b. authorize the Secretary of Commerce to provide direct loans at interest rates equivalent to the Treasury's cost of borrowing plus an additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose. This proposal would give the Secretary greater flexibility than now exists in setting charges on direct loans and permit a reduction in these charges so that the rates could be nominally above, or where appropriate, equal to that of the Treasury's cost of borrowing.

YES ___ NO ___ COMMENT _____

- c. authorize the Secretary of Commerce to pay interest rate subsidies to borrowers up to a maximum of 4 percentage points on guaranteed loans, provided that the subsidy does not reduce the borrower's interest rate below that charged on direct loans, as described in (b) above. (\$1.2 million--included in \$62 million above.) This proposal will reduce the cost to borrowers of loan guarantees to a level equivalent to that associated with direct loans. It should stimulate the use of loan guarantees and thus both reduce Federal outlays to provide financial assistance and induce borrowers to make fuller use of private financial resources. Other existing legislation contains a provision similar to this proposal.

YES ___ NO ___ COMMENT _____

3. Expanded adjustment assistance for workers. This is a major category of proposals, all of which entail legislative changes. The TAA provisions for workers would be amended to provide for:

- a. an increase in Government payment for worker relocation allowances from 80 percent (current law) to 100 percent of "reasonable and necessary" costs incurred (*) (\$1.3 million).

pros

- even with full relocation allowances, workers still have to face heavy settling-in expenses.
- relocation to a new job saves DoL money in the long run by reducing the duration of TAA unemployment insurance payments.

cons

- reimbursing 100 percent of the moving costs gives workers no incentive to economize in their expenses.

FOR: DoL, DoC, Treasury, STR
 AGAINST: CEA, OMB, State (Recommend 90% instead)

YES ___ NO ___ COMMENT _____

- b. the continuation of TAA supplemental unemployment insurance payments until workers enrolled in training programs complete the programs (*) (\$1.9 million). Now, workers who exhaust these payments may be forced to quit training programs.

YES ___ NO ___ COMMENT _____

- c. extension, by up to 6 months, of supplementary TAA unemployment insurance payments for workers 60 years of age or older at time of trade-related layoff (*) (\$400,000 cost) (no additional cost on assumption PSE proposal--see below--is also accepted). The purpose of this change would be to provide an effective income bridge between layoff and workers' Social Security eligibility at age 62. The proposal acknowledges the extreme difficulties workers over 60 have in finding new employment.

YES ___ NO ___ COMMENT _____

- d. health insurance for trade-impacted workers during their period of eligibility for TAA supplementary unemployment insurance benefits (*) (\$24 million annual average). DoL would contract with a private health insurance carrier to provide group insurance to the eligible trade-impacted workers. Only workers who had health insurance before they became unemployed and who are not covered by the plan of another family member would be included in the group to be insured by DoL. The benefit package would be roughly equivalent to that provided under Medicare. Workers who had and lost a family health plan would be given family coverage.

pros

- lack of financial protection and security against costly illnesses impedes effective worker adjustment. The average family has about 90 percent of its hospital bills paid for by health insurance and is, therefore, not prepared to cope with medical crises without insurance.

- a stop-gap measure to provide health insurance to a small group of workers (about 50,000) who have especially difficult adjustment problems. The TAA health plan would be phased out following the enactment of National Health Insurance.
- an important new initiative which can substantially increase the acceptability of TAA among American workers.

cons

- extends health insurance to only one group while setting important precedent which may prompt greater demands from other groups--major budget implications over time.
- should be postponed for consideration of National Health Insurance.

FOR: DoL, Treasury, State, STR, DoC
AGAINST: OMB, CEA

HEW has indicated that it does not oppose this proposal.

YES ___ NO ___ COMMENT _____

- e. authorization of public service employment jobs, up to a maximum of 10,000 in number, for workers 55 years old and over which would be available to such workers after they have exhausted their TAA supplementary unemployment insurance benefits. (*) (\$17 million initial year; \$74 million maximum in fifth year.) In order to implement this provision, DoL will need legislative authorization in the Trade Act and additional funding for the PSE slots for these reasons:

- (1) DoL has little control over the particular individuals that receive PSE jobs from CETA prime sponsors.
- (2) The present level of 750,000 PSE jobs is authorized only through FY 1978. Given the permanent Title II level of 50,000 PSE slots nationwide, there is little possibility that 10,000 slots could be reserved for the trade-affected workers.
- (3) While some CETA discretionary money has been used for TAA, the \$74 million needed for PSE is far more than obtainable through CETA.

The proposal would create a pool of PSE jobs designated for trade-impacted workers but no worker entitlement to such jobs.

pros

- adjustment is especially difficult for older workers, particularly since many of them have worked in a single industry most of their lives. This proposal keeps workers in the active labor force.
- since the average PSE wage is only \$7,200 per year, the workers in these jobs would continue to have an incentive to seek and accept any suitable unsubsidized jobs.
- this represents a major new initiative to increase the acceptability of TAA in general to American workers.

cons

- in OMB's view, this would create de facto an entitlement program--a job guarantee--limited only by the availability of budget funds.
- it runs counter to Administration efforts to cut back PSE as the unemployment rate drops.

FOR: DoL, STR, State, Treasury, DoC
AGAINST: OMB, CEA

YES ___ NO ___ COMMENT _____

5. Implementation of a comprehensive TAA community assistance program (*) (\$100 million--current annual outlays \$7 million). Initially, this expanded community assistance program would be delivered by DoC under the authority of Title IX of the Public Works and Economic Development Act (PWEDA). This approach would be used because the certification criteria for communities of the Trade Act now effectively preclude TAA to communities. To correct these legislative impediments, it is further proposed to amend the Trade Act to:
- a. delete the criterion that sales or production of firms in trade-impacted areas have decreased absolutely--in order to correct a data-gathering problem. Currently, the criterion requires DoC to collect sales or production data from all or nearly all firms within a trade-impacted area. Communities have not been capable of meeting this requirement.
 - b. revise the definition of a community in order to enable DoC to offer assistance in any concentrated area of trade impact rather than be limited (as under current law) to assisting only political subdivisions of States. Currently, inner-city areas are denied community assistance.

The proposed level of outlays would enable EDA to fund adjustment plans in approximately 120 areas (States, counties, cities and labor areas). In the first year approximately 30 communities can be expected to apply for implementation grants averaging \$3 million each. EDA will conduct an outreach effort to impacted or potentially impacted communities offering financial assistance for developing adjustment plans. Financial assistance for implementation will be composed of grants for business development, technical assistance, public works, and other measures tailored to the needs of each impacted community. In combination with strengthened assistance for firms, the expanded community program should be the key mechanism by which improved TAA can preserve or increase private sector employment.

YES ___ NO ___ COMMENT _____

6. Blanket certification for communities. (*) (Costs included in proposal #5 above.) The Trade Act would be amended so that communities would become automatically eligible to apply for TAA in cases where 5 percent or more of the community's local work force, or 200 workers, whichever is larger, have been certified by DoL as eligible to apply for worker TAA.

YES ___ NO ___ COMMENT _____

7. Introduction of industry-oriented analytical and technical assistance TAA program (*) (\$4 million). The Trade Act would be amended to authorize the Secretary of Commerce to conduct an analysis and technical assistance program for trade-impacted industries.

The program would provide for:

- a. comprehensive analyses of industries actually or potentially threatened by import competition to identify those industry characteristics accounting for domestic weakness and foreign advantage. These analyses would identify those basic industry-wide characteristics which may require change in order to permit the effective readjustment of member firms; and enlarge the range of Federal options for assisting trade-impacted industries and member firms.
- b. Government matching grants to industry associations or to industry representative bodies to share the start-up costs of industry-wide programs for R&D or technology-production upgrading. The Secretary of Commerce would be authorized to determine the amounts and proportions of the matching grants--up to a maximum Federal contribution of \$2 million per industry.

- c. The Secretary of Labor would be authorized to provide comparable matching grants (as above) to unions or employee associations.

YES ___ NO ___ COMMENT _____

V. MANAGING, COORDINATING, AND FUNDING TRADE
ADJUSTMENT ASSISTANCE

Specific organizational and administrative shortcomings within the delivering Agencies have hampered the management of the TAA program. Corrective measures are required. Of greater importance is the fact that no effective mechanism has been established to coordinate the adjustment assistance programs for workers, firms, and communities. Under these circumstances it has been impossible to plan for and execute comprehensive remedial programs. Accordingly, it is recommended that the management and coordination of TAA be improved through:

1. reorganization of trade adjustment assistance activities within DoC and DoL. The Secretaries of Commerce and Labor should be directed to designate a senior official to be fully responsible for all segments of the TAA program each Department administers.
2. activation of STR's Adjustment Assistance Coordinating Committee. Section 281 of the Trade Act establishes the Adjustment Assistance Coordinating Committee, but the Committee has not functioned effectively to date.

It is, therefore, recommended that: (1) the Adjustment Assistance Coordinating Committee be composed of the senior officials appointed under proposal #1 above and a Deputy STR as chairman, (2) the Committee deal with all questions of coordination which arise between the delivering Departments and hold periodic reviews of TAA programs, (3) the Committee meet regularly at the call of any of its members, (4) the Committee be expanded, when appropriate, to include officials from other Federal Agencies with economic adjustment programs or from those concerned with international trade policies, and (5) the Committee report formally to the Trade Policy Committee at the request of the latter.

These recommendations acknowledge that operational responsibility and funds for TAA remain within the delivering Departments but also give the STR's Committee new visibility and responsibility for policy and program coordination.

YES ___ NO ___ COMMENT _____

3. adequate and identifiable funding for TAA. One of the main reasons for the past failure of TAA has been lack of adequate funding and staffing. While greater effort and more efficiency can make some improvement in TAA, major improvements will have to await the additional funding described in the cost estimates. The proposed legislative and administrative improvements will have little effect if the administering Agencies are told to absorb the new costs within their existing budgets.

As a step towards ensuring adequate funding and as a sign of commitment to the program, it is regarded as advisable to identify, for budget purposes, those funds that will be made available for TAA. Congress, industry, labor, and the public will see tangible evidence of the Administration's intentions in this area.

The interagency task force recommends adoption of a budgetary procedure to identify TAA program funds--either by separate line item treatment in the Budget or by description of the activities.

FOR: DoL, DoC, Treasury, State, STR,
CEA (in principle though not as to the
specifics of the proposed \$517
million expenditure.)

AGAINST: OMB

YES ___ NO ___ COMMENT _____

COST ESTIMATES

The costs for the proposed TAA program will depend upon the severity of future trade dislocations. Their severity will depend in turn upon the rate and composition of future changes in trade and, more important, upon the health of our economy and the international economy. Unavoidably, estimates must be near-term and approximate.

For workers, the estimates that follow have been prepared on the assumption that the caseload will average about 100,000 workers per year--falling from the present annual level of about 117,000 to around 86,000 in 5 years.

For firms the estimates also start from the existing caseload (about 100 petitions annually) and project costs assuming increased levels of assistance delivery. For communities the Economic Development Administration's experience with PWEDA Title IX programs has served as the guide for estimating costs.

The costs represent "most likely" estimates as determined by OMB.

An OMB analysis of the estimates, while agreeing as to their general reasonableness, concludes that the total cost for the first year of the proposed TAA program could range from 15 percent under to 21 percent over the estimated \$517 million figure. As for the future, combining all of OMB's maximum expenditure projections for the year 1981 gives a total TAA expenditure level of \$598 million (in 1977 dollars) as opposed to the estimated \$495 million figure.

To implement all the recommendations presented in this report, it is estimated that the following changes in staff ceilings for DoC and DoL will be required:

| <u>Department</u> | <u>Current Staff Assigned to TAA Activities (Including Pro Rata Share of Staff with Other Duties)</u> | <u>Additional Staff Required to Implement TAA Improvements</u> |
|-------------------|---|--|
| DoC | 20 | 73 |
| DoL | 208 | 125 |

The 208 figure for current TAA-related staff at DoL includes 82 positions recently approved by OMB (out of 157 requested) but not yet approved by Congress and not yet filled. Because of the OMB cutback, DoL projects that its workers' certification backlog will probably continue throughout FY 1978.

Cost Estimates--Recommendations for TAA Program
(\$ millions - annual - at current prices)

| | <u>FY '76</u> <u>Actual</u> | <u>FY '77</u> <u>Projected</u> | <u>Initial</u> <u>Year</u> | <u>Mature</u> <u>Year*</u> |
|---|--------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Worker Program other than Health Insurance and PSE Job Pool (Includes DoL Administrative Costs)** | \$ 83 | \$209 | \$275 | \$202 |
| Health Insurance Program*** | - | - | 27 | 21 |
| PSE Job Pool for Older Workers (Includes Extended Payments for Those Over 60) | - | - | 17 | 74 |
| WORKER PROGRAM TOTAL | \$ 83 | \$209 | \$319 | \$297 |
| Financial Assistance Program for Firms (Direct Loans and Loan Guarantees) | 9 | 11 | 62 | 62 |
| Technical Assistance Program for Firms (Includes Industry-Wide Analysis and Technical Assistance) | - | - | 14 | 14 |
| Community Program (Includes PWEDA Title IX Funds for Impacted Communities) | 12 | 7 | 100 | 100 |
| Administrative Costs (Includes Early Identification and Outreach Costs) | 2 | 2 | 22 | 22 |
| INDUSTRY, FIRM, AND COMMUNITY PROGRAMS TOTAL | \$ 23 | \$ 20 | \$198 | \$198 |
| GRAND TOTAL | \$106 | \$229 | \$517 | \$495 |

* Entails a buildup in the number of workers using this provision over 5 years until a steady state of worker participants is attained.

** Does not include the automatic increase in supplementary TAA unemployment insurance costs that would result from the anticipated termination of the Federal Supplemental Benefits (FSB) program and the national Extended Benefits (EB) program. While this increase in TAA payments could amount to additional costs in the range of 25-33 percent, these higher TAA costs would be more than offset by FSB and EB savings.

*** Based on the assumption that 52 percent of workers receiving supplementary unemployment insurance under TAA would be eligible for health insurance benefits.

Date: September 21, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson

FOR INFORMATION:

The Vice President
Bert Lance
Charles Schultze
Bob Strauss

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Sec. Kreps memo dated 9/20/77 re Trade Adjustment Assistance

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Friday

DATE: September 23, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.☐ No comment.*Please note other comments below:*

Rick -
Don't you think I
should roll this down to
it goes to the President

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

October 28, 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Trade Adjustment Assistance (TAA)

I remain convinced that a comprehensive adjustment assistance package is essential as a domestic counterpart to our liberal trade policy. A major effort to reform the current TAA program will strengthen our hand at home and abroad, even though no "quantitative" assessment of this is possible. For this effort to be successful, there must be dramatic elements in the package; improvements in procedures alone will not do the trick. The dramatic elements, which will give the package broad appeal -- and which the AFL-CIO wants -- are community assistance and the so-called controversial proposals. I see no reason to delay or eliminate major elements of the interagency reform package.

The crucial part of the TAA package is the portion which deals with comprehensive community assistance and increased firm and worker coverage and benefits. The community assistance package has broad support among the agencies, with only minor objections by some. Specifically, I think that:

- (a) Training and job search grants for persons about to be unemployed will be helpful to the adjustment process;
- (b) Coverage of secondary firms providing 25% or more of their goods and services to trade impacted firms is essential (higher percentage requirements will cut out too many firms that need assistance); and
- (c) The Government should pay 100% of worker relocation costs, rather than the current 80%, or 90% as advocated by some agencies.

I also believe we should give the so-called controversial issues -- health insurance, special public service jobs, and a loosening of qualifications for TAA certification -- a chance to work:

- (1) Assuring health insurance coverage for workers who are unemployed because of trade problems is hard to oppose; it's clearly desirable and not excessively expensive (adds \$24 million to the package), while providing new tangible benefits for those who need it. It's a humanitarian issue.
- (2) Public service jobs will help those over 55 who have the greatest difficulties finding alternative jobs. It's more expensive (\$74 million), but again, a real human need is involved.
- (3) Loosening of qualifications is more costly (\$75 million) but going beyond a narrow eligibility test for TAA is necessary to help secondary and marginal firms.

I strongly recommend that you adopt the entire TAA package with the exception of covering workers in plants that relocate abroad.


W. Michael Blumenthal

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

TAP
alo

SEP 23 1977

MEMORANDUM

TO : Stuart Eizenstat, Assistant to the President for
Domestic Affairs and Policy

FROM: Ambassador Robert S. Strauss *RS (12.)*

RE : Secretary Kreps' Memorandum dated 9/20/77
Regarding Trade Adjustment Assistance

This office strongly supports the recommendations developed by the interagency task force for improving trade adjustment assistance. The recommendations will enhance trade adjustment assistance as a viable alternative to import relief. By doing so, the President's latitude in trade policy will be enlarged. Specifically, national objectives for trade liberalization will be less vulnerable to domestic critics who otherwise might be able to reduce the President's discretion in trade policy options and frustrate benefits which would accrue to the rest of the economy. Moreover, an improved adjustment assistance package will be an important component in selling the MTN package we are negotiating both to the Hill and the public at large.

While we strongly support the package, you should be aware that no program will ever be a perfect substitute for import relief for those actually suffering an adverse trade impact. Workers, firms and communities will still be forced to adjust to a changing international environment. Adjustment assistance will not substitute for this adjustment, but it will greatly ameliorate the social costs of adjustment and widen the President's discretion in trade policy. While this alone will not secure the support of labor and business for the Administration's trade policy, it is nevertheless an essential part of securing their support. To be fully effective, the program must be combined with general economic policies designed to maintain full employment.

Secondly, you should be aware that STR has serious reservations concerning expansion or even preservation of its role as a coordinator of trade adjustment assistance. STR, unlike the Departments of Commerce and Labor, is not a line agency, charged with administration of large programs. Our Office does not have the resources or expertise required to administer the coordination of adjustment assistance, which is primarily a matter of manpower and industrial adjustment policies and not trade policy. To coordinate such large programs would require a substantial increase in STR's personnel and budget which would be inconsistent with the President's decision to reduce the size of the Executive Office of the President. In fact, we have just been denied by OMB and the Reorganization Task Force the allocation of one single individual to this function.

cc: Rick Hutcheson, Staff Secretary

THE WHITE HOUSE
WASHINGTON
December 19, 1977

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please give copies and/or convey the President's decisions to Esther and Stu.

Rick Hutcheson

RE: CONSUMER AGENCY BILL

THE WHITE HOUSE
WASHINGTON

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

*Frank - pls give copies / and for
convey Pres's decisions to Peterson*

MONDALE

COSTANZA

EIZENSTAT

JORDAN

LIPSHUTZ

MOORE

POWELL

WATSON

McINTYRE

SCHULTZE

ENROLLED BILL

AGENCY REPORT

CAB DECISION

EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

ARAGON

BOURNE

BRZEZINSKI

BUTLER

CARP

H. CARTER

CLOUGH

FALLOWS

FIRST LADY

HARDEN

HUTCHESON

JAGODA

GAMMILL

KRAFT

LINDER

MITCHELL

MOE

PETERSON

PETTIGREW

POSTON

PRESS

SCHLESINGER

SCHNEIDERS

STRAUSS

VOORDE

WARREN

Electrostatic Copy Made
for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON
December 14, 1977

*Frank -
Sounds o.k.
You & Esther go
over these memos
together
JC*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*
SUBJECT: Esther Peterson's Memo of November 10
Regarding the Consumer Agency Bill

First of all, there is no doubt in my mind that the Consumer Agency bill would not have gone as far as it has without Esther Peterson's tireless and effective work. She has spearheaded the Administration's efforts and has done a superb job.

Secondly, passage of the legislation in the Second Session of the 95th Congress cannot be achieved without increased pressure from the White House, including greater demands on your time and on the White House CL staff. Quite frankly, I am not sure we can win in both Houses of Congress -- although House passage is more likely than Senate.

Thirdly, Mrs. Peterson is requesting that she be given sole responsibility to steer the bill through the Congress, subject only to your veto of strategy and commitments. I believe such an arrangement would be inadvisable in that it ignores the delicate balancing act that must be performed when we have more than one important Presidential issue heading for floor action.

In fact, the decision to pull the bill off the House calendar in early October -- a decision which was reached mutually between the Speaker and us -- involved just that kind of balancing act. We were faced with a number of equally unpleasant facts:

1. The best judgment of vote counts forced us -- and the Speaker -- to conclude that if the bill were brought to a vote, it would lose.
2. A loss would have meant (a) the bill could not be revived in the Second Session; and (b) you would have been portrayed in the press as having suffered a major Congressional defeat in the last "regular" week

of the Session -- not the sort of thing we wanted Members talking -- or bragging -- about back home.

3. We had other critical issues "on the fire" at that time, including the Social Security bill and the Energy Conference Committee. To divert critical resources at that time to the Consumer bill would have been a serious mistake, in my view.

In her memo, Mrs. Peterson stated ".....there may be a risk of losing; but it is a risk, I believe, worth taking." I believe there is, in fact, a great risk of losing and it may very well be worth the risk. However, it is a risk we can afford in February rather than at the end of the Session in October when we're trying to show momentum, a growing relationship with Congress, etc.

RECOMMENDATIONS

If you decide that the Consumer Agency bill should be a matter of high Presidential priority in 1978, I recommend the following:

1. That we push for an early vote in the House, preferably by the middle of February. ✓
2. That you ask Esther Peterson to stay on; that you stress the need for tight coordination between various White House offices involved in the effort, but -- as is the case on other issues -- overall Congressional strategy must be handled by the Congressional Liaison staff. ✓
3. That you utilize an appropriate public forum to reiterate your determination to secure passage of the bill. ✓
4. That you meet with the House Leadership and key sponsors to reaffirm your support and to urge them to push forcefully for passage. ✓
5. That you make a small number of selected calls, as determined by Mrs. Peterson and myself, to Members whose votes we need just prior to the vote. ✓
6. That the CL staff and Mrs. Peterson meet to devise a legislative strategy and determine steps to be taken for implementation, pointing to House action in February. ✓

THE WHITE HOUSE
WASHINGTON

TO: The President
FROM: Bob Finkelstein
For your information.

THE WHITE HOUSE
WASHINGTON

Good
J

December 17, 1977

MEMORANDUM

TO: Hamilton Jordan Jack Watson
Jody Powell Frank Moore
Stu Eizenstat Midge Costanza

FROM: Bob Lipshutz *BJ*

SUBJECT: 1978 Budget for White House

After much consideration, we have decided not to request a supplemental appropriation for the fiscal year ending September 30, 1978. Attached is a memorandum prepared by Hugh Carter for your information.

Despite the persuasive arguments which normally might prevail for requesting a \$275,000 supplemental appropriation, the conclusion reached not to seek such a supplemental appropriation is based primarily on the following factors.

1. That we do in fact have an anticipated reserve of \$350,000.
2. That, should the needs exceed that reserve, there are other means of saving money and obtaining services which basically constitute an additional but undetermined amount of reserve.
3. Considering all of the publicity about the White House reorganization, reduction of staff, staff pay increases, etc., we very likely would receive some bad publicity should we seek a supplemental appropriation. Furthermore, there is no assurance that the Congress would approve such a supplemental appropriation, at least not without a considerable amount of discussion and debate.
4. By not seeking a supplemental appropriation, even though we are thus having to absorb the pay increases and some other unappropriated expenses, we hopefully will be setting a good example for other Departments and Agencies of government.

In order to be successful in carrying out this decision, the constant cooperation of each of us, along with members of our staffs, is essential. Please urge everyone on your staff to cooperate fully with Hugh Carter and the rest of us, whenever there is an opportunity to reduce costs and to resist the frequent temptations to increase expenditures.

THE WHITE HOUSE
WASHINGTON

December 19, 1977

Stu Eizenstat
Jim McIntyre

The attached was returned in the President's outbox and is forwarded to you for appropriate handling. Please notify Sec. Adams of the President's decision.-- Stu.

Rick Hutcheson

RE: 1979 HIGHWAY AND TRANSIT LEGISLATION

cc: The Vice President
Frank Moore

THE WHITE HOUSE
WASHINGTON

| | |
|---|---------------------------|
| | FOR STAFFING |
| | FOR INFORMATION |
| / | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

ACTION
FYI

*Sta - pls notify Sec. Adams
of Pres's decision*

| | |
|---|-----------|
| / | MONDALE |
| | COSTANZA |
| / | EIZENSTAT |
| | JORDAN |
| | LIPSHUTZ |
| / | MOORE |
| | POWELL |
| | WATSON |
| / | McINTYRE |
| | SCHULTZE |

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|--|-----------------|
| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

| | |
|--|------------|
| | ARAGON |
| | BOURNE |
| | BRZEZINSKI |
| | BUTLER |
| | CARP |
| | H. CARTER |
| | CLOUGH |
| | FALLOWS |
| | FIRST LADY |
| | HARDEN |
| | HUTCHESON |
| | JAGODA |
| | GAMMILL |

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| | KRAFT |
| | LINDER |
| | MITCHELL |
| | MOE |
| | PETERSON |
| | PETTIGREW |
| | POSTON |
| | PRESS |
| | SCHLESINGER |
| | SCHNEIDERS |
| | STRAUSS |
| | VOORDE |
| | WARREN |

THE WHITE HOUSE
WASHINGTON

12/16/77

Mr. President:

Secretary Adams' memo on this subject is not attached, as it is adequately summarized by Eizenstat and McIntyre.

Rick



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

December 16, 1977

JC

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR.
STU EIZENSTAT

Jim McIntyre
Stu

SUBJECT: 1979 Highway and Transit Legislation

The Department of Transportation, OMB and Domestic Policy have consulted on Secretary Adams' proposed highway and transit authorization legislation. Agreement has been worked out on almost all issues. Described below are: (1) the outline of the bill; (2) outstanding issues for your resolution; and (3) actions required to be taken.

Outline of the Bill

As indicated in Secretary Adams' November 11 memorandum to you, the primary goal of the bill is to give greater decision and planning authority to state and local agencies in the use of Federal transportation funds. With the exception of transportation "urban initiatives," which are being handled in a separate context, the major policy and budget elements of the proposal include:

- . Reduction of highway and transit categories into nine basic accounts, including a rural transportation "block grant" program (at a \$775 million budget level in 1979).
- . Four year authorizations (1979-1982) to standardize most programs.
- . Completion of the basic Interstate system by 1990, with "go/no-go" decisions on construction of all incomplete segments and on all Interstate transfers by 1982.
- . Increases in bridge construction funding (\$+270 million in 1979) offset by decreases in Interstate funding (\$-250 million in 1979).
- . Narrowing of differences between the operation of highway and transit programs (e.g., common definitions of urban and rural areas).

- Conversion of \$800 million of routine transit grant approvals associated primarily with bus purchases and rail modernization from a discretionary to a formula allocation basis.
- Merger of highway and transit planning funds.

Funding authorizations agreed to by DOT and OMB are as follows:

(dollars in billions)

| | 1979 Current Policy | Proposed Authorizations | | | |
|----------------------------|---------------------------|-------------------------|------|------|------|
| | | 1979 | 1980 | 1981 | 1982 |
| Highways | 7.7 | 7.0 | 7.0 | 7.4 | 7.4 |
| Transit | 3.2 | 3.1 | 3.2 | 3.4 | 3.5 |
| Rural Block Grant | xx | 0.8 | 0.8 | 0.8 | 0.9 |
| Total | 10.9 | 10.9* | 11.0 | 11.6 | 11.7 |

* Presidential allowance for highways and transit equals \$10.9 billion.

Authorizations for the new rural block grant program are proposed to be absorbed within the 1979 "current policy" base by reduction of categorical highway and transit programs. Post-1979 increases are as follows:

- Approximately a 5% increase is provided in 1981 for highways and the rural block grant to offset partially the impact of inflation.
- Slightly over \$100 million annually is provided for transit, principally to sustain existing operations. The four-year transit total is about \$2 billion below the minimum congressional intentions for transit funding.

Transit authorizations will be "general fund" and will require appropriations of annual budget authority. Highway and block grant authorizations will be "trust fund" and hence will not require subsequent appropriations of budget authority. The Administration will request congressional imposition of ceilings on total obligations in 1979 and future years, as has been the practice for the past three years.

Last, the "urban initiatives" are still under consideration. Several initiatives for urban transportation have been proposed. If approved, the authorizations will be amended accordingly.

~~Attachment A provides details on the bill's provisions and funding authorizations.~~

Outstanding Issues

The Federal Matching Share

As you will recall, at the November 22 Presidential Review of the 1979 DOT budget, you questioned the merits of trying to establish a uniform 80% (DOT request) or 75% (OMB recommendation) Federal matching share for highway and transit programs. (Currently, most highway programs receive 70% matching funds and transit programs receive 80% matching funds.) Specifically, you pointed out the following:

- . Uniformity was not being sought in all areas--e.g., Interstate highways would continue to receive 90% matching funds.
- . Raising the highway Federal match by 5% or 10% would tend to generate pressures for additional highway funding. Conversely, lowering the transit Federal match by 5% (OMB recommendation) would generate strong opposition from the transit community.

In short, you suggested that increasing the Federal share on highway projects might be "too high a price to pay" to simply achieve a uniform Federal match. Although differences of opinion continue to exist on the desirable percentage match, DOT, OMB and Domestic Policy continue to believe that a uniform match (except for Interstates) is a sound idea. ~~Attachment B details DOT's views on this issue.~~ The major points are as follows:

- . Setting a uniform Federal match will provide the basis for future, more comprehensive consolidation of transportation grant programs.
- . Because Federal highway funding is controlled by authorizations and ceilings on obligations, increasing the percentage of the Federal matching share will result in fewer construction projects being funded but not in higher Federal outlays. However, state revenues "saved" by a reduction in the local matching share could be used for highway maintenance. To this extent,

the proposal reflects a not undesirable shift of state highway spending from construction to maintenance. Total Federal expenditures would continue to be determined by authorizations and obligation ceilings imposed on the program.

- . Increasing the Federal match would help to compensate for state highway revenue losses resulting from reduced gas consumption. Your "National Energy Plan" promised relief to the states to compensate them for gas tax revenue losses.
- . There are twelve relatively small programs, mostly in the highway safety area, for which the Federal match is currently either 90% or 100%. The Federal match for these programs would be accordingly reduced.

DOT makes the final point that it would not be credible or acceptable to Congress or interest groups to reduce the present Federal match of 80% for transit projects to 70% or 75%. Such a proposal would also be perceived as being "anti-urban." "DPS strongly opposes a reduction in the transmit match and would prefer no uniform match if its achieved in this way. OMB agrees that it will be difficult to reduce the Federal match for transit projects. On the other hand, OMB objects to the idea that to achieve a uniform Federal match, most programs should be "rounded up" so that interest groups are not affected negatively. Other points in favor of a 75% uniform Federal match (except Interstate) include:

- . The higher the local match, the greater the probability the project will be cost effective.
- . A 75% Federal match proposal may be advantageous in restraining Congress from raising the Federal match above even 80% for selected programs (e.g., highway safety, Appalachian highways).
- . The highway Federal match was raised from 50% to 70% in the 1974 highway authorizations. It appears premature to raise it by another 10% now.

Decision

- ☐ 80% uniform Federal match (DOT request and Domestic Policy recommendation).
- ☒ 75% uniform Federal match (OMB recommendation).
- ☐ Other or see me.



**Electrostatic Copy Made
for Preservation Purposes**

Recipients of Urban Highway Funds

For the first time, urbanized areas of one million population and above will be able to designate a recipient for their urban highway funds with the concurrence of the governor and local officials. The recipient could continue to be the state transportation department, or responsibility could shift to a local designee. DOT, OMB, and Domestic Policy agree with this proposal because it would permit large cities to become more actively involved in the planning and programming of their highway systems. However, you should be aware that the governors and state transportation departments oppose this provision because they believe that it constitutes a serious encroachment on their authorities. They are also concerned that the concept will be expanded to urban areas under one million population, thereby further diluting their authority.

Decision

☒ Permit designation of funding recipients other than state transportation departments (DOT, OMB and Domestic Policy recommendations).

☒ Retain authority with state transportation departments alone.

☐ See me.

Actions Required

House Public Works Committee staff will begin drafting its version of the highway and transit authorizations in December. DOT, OMB and Domestic Policy agree that it would be advantageous if the Committee were to work from a draft of the Administration's proposed bill. In that way, differences with the Committee will hopefully be minimized. (DOT anticipates that the House will be a greater obstacle than the Senate in enacting a bill along the lines proposed by the Administration.)

Therefore, with your concurrence, DOT will informally circulate the draft bill to House Committee staff at the same time that other agency comments are sought and additional revisions are made. This will also preserve your option to release the bill formally in January in the context of the State of the Union address, the Urban Initiative, or some other context. ~~The major points to be made in a public release of the bill are presented in Attachment C.~~

Decision☒ Agree.☐ Disagree.☐ See me.

Attachments

THE WHITE HOUSE
WASHINGTON

December 19, 1977

Bob Lipshutz

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

NIXON-SOLOMON MEETING

THE WHITE HOUSE
WASHINGTON

| | |
|---|---------------------------|
| | FOR STAFFING |
| | FOR INFORMATION |
| ✓ | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

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| ACTION | FYI |
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cc Tay Solomon - attach note for my sig - memo to The Pres

| | |
|---|---|
| MONDALE | ENROLLED BILL |
| COSTANZA deleted | AGENCY REPORT |
| EIZENSTAT <i>are to be</i> | CAB DECISION |
| JORDAN | EXECUTIVE ORDER |
| ✓ LIPSHUTZ <i>submitted via my office</i> | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |
| MOORE | |
| POWELL | |
| WATSON | |
| McINTYRE | |
| SCHULTZE | |

| | |
|--|------------|
| | ARAGON |
| | BOURNE |
| | BRZEZINSKI |
| | BUTLER |
| | CARP |
| | H. CARTER |
| | CLOUGH |
| | FALLOWS |
| | FIRST LADY |
| | HARDEN |
| | HUTCHESON |
| | JAGODA |
| | GAMMILL |

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|--|-------------|
| | KRAFT |
| | LINDER |
| | MITCHELL |
| | MOE |
| | PETERSON |
| | PETTIGREW |
| | POSTON |
| | PRESS |
| | SCHLESINGER |
| | SCHNEIDERS |
| | STRAUSS |
| | VOORDE |
| | WARREN |

THE WHITE HOUSE

WASHINGTON

December 17, 1977

C

MEMORANDUM FOR THE PRESIDENT

FROM:

Bob Lipshutz

BJL

SUBJECT:

Meeting of Jay Solomon with
Former President Nixon

Jay consulted with me before he scheduled this visit (which was made while he was on a regular business trip for GSA).

He was anxious to get this report to you, but in deference to your own schedule decided to submit it in this written memorandum rather than by a personal visit. However, he of course will be very glad to elaborate on the visit with you personally should you desire to do so.

**Electrostatic Copy Made
for Preservation Purposes**



General
Services
Administration

Office
of the
Administrator

Electrostatic Copy Made
for Preservation Purposes

Washington, DC 20405

Good J

MEMORANDUM FOR THE PRESIDENT

FROM: Jay Solomon *JMS.*
SUBJECT: Meeting with Former President Nixon

At the invitation of former President Richard M. Nixon, I visited him in his office at the Coast Guard Station in San Clemente, California, on Saturday, December 10, 1977. Mr. John Brennan, an aide to Mr. Nixon, was present during the visit which lasted almost an hour.

Since the purpose of my visit was to review the adequacy of support services provided by my agency, a great deal of time was spent on these matters.

Mr. Nixon asked me to report these observations to you:

- o Mr. Nixon noted that weekly meetings with the Cabinet may be consuming too much of your time. He suggested meetings every other week.
- o Mr. Nixon offered the opinion that he would not reappoint Mr. Arthur Burns, but would encourage him to remain on the board. Mr. Nixon added that Mr. Burns' continued affiliation with the board would be helpful in terms of business confidence and in particular, with the stock markets. However, Mr. Nixon did make the point that the position of Chairman was of such importance that you needed to select "someone of your own".
- o Mr. Nixon urged me to convey the message that you should not concern yourself with the press, but focus more of your efforts on working with the Congress.
- o Mr. Nixon expressed the hope that his public papers might one day be put on display in a library.
- o Mr. Nixon discussed the various roles and responsibilities of the General Services Administration and made the point that the services provided to members of Congress could be an important way of maintaining good relations.

Throughout the visit, Mr. Nixon was very cordial. He thanked me for taking the time to visit and asked me to pass along his offer to be of service to you in any way possible.

If you have any questions or wish for me to develop any of these points in more detail, please advise.